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NEWS SUMMARY

GENERAL

IRA man 'thought of ending fast'

IRA hunger striker Raymond McCreesh *considered giving up* his fast at Belfast's Maze prison at the weekend, the Northern Ireland Office said. McCreesh, 24, who has gone 58 days without eating, *considered the move* after the funeral of fellow hunger-striker Francis Hughes, the office said. The Provisional Sinn Fein dismissed the report.

In the Whiterock area of west Belfast, police and troops were pelted with petrol bombs and paint, but no one was hurt. In London, eight supporters of the *Maze protesters were questioned* by police after occupying the Aer Lingus offices in Regent Street for two hours.

Irish Justice Minister Gerry *Collins said police* would intensify patrolling after attacks on British property in the Republic.

MP's protest

Conservative MP Hal Millar resigned as Parliamentary Private Secretary to Francis Pym, Leader of the Commons, in protest against the Government's steel policy. Steelworkers warning, Page 8

Nurses' warning

Nurses may have to give up their anti-strike policy because of the falling recruitment and declining standards caused by lower pay, a trade union leader warned. Page 8

Cheque charge

Barclays Bank is to introduce a 50p charge on personal cheques cashed at its branches by customers *of other banks. Other* banks seem certain to follow suit. Back Page

Abortion vote

Early returns from an Italian referendum showed that two-thirds of those who had voted wanted to keep the present liberal abortion law. Page 2

Tribe's exodus

About 25,000 people, most of Afghanistan's Sabari tribe, travelling on camels, donkeys, lorries and on foot, have migrated to Pakistan, after a *four-day battle with Afghan* troops trying to disarm them.

Aircraft crashes

Four people were killed when a Cessna light aircraft crashed on a mountain near Mold, North Wales, on a flight from Blackpool to Bournemouth.

Indian bus fire

At least 70 people were feared burned to death when a bus caught fire after a collision with a lorry in Bhubaneswar, eastern India. Seventeen passengers were electrocuted when a bus touched a power cable in Meerut, northern India.

Pope moved

Pope John Paul II, on his 61st birthday, was moved from intensive care to a private hospital suite, five days after being shot in St. Peter's Square. Doctors stressed that he was still not out of danger.

Author dies

William Saroyan, the U.S. author of more than 70 books and plays, including The Time of Your Life, died of cancer in Fresno, California, aged 72.

Briefly . . .

Princess Anne and her three-day-old daughter left St. Mary's Hospital, Paddington.

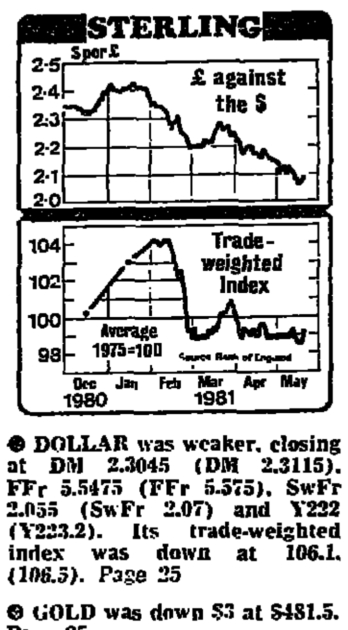
Eight members of a Japanese climbing team have died on China's 24,730 ft. Mount Gongga.

Australian Peter McNamara *beat Jimmy Connors of the* U.S. in the final of the West German Tennis Open.

BUSINESS

Sterling firmer; dollar eases

● STERLING was firmer, and *its trade-weighted index rose to* 99.2 (98.7). It rose 1.55c to $2.0890 and improved to DM 4.8150 (DM 4.79), FFr 11.585 (FFr 11.545), SwFr 4.295 (SwFr 4.29), and Y464 (Y462.5). Page 25



● DOLLAR was weaker, closing at DM 2.3045 (DM 2.3115), FFr 5.5475 (FFr 5.575), SwFr 2.055 (SwFr 2.07) and Y222 (Y223.2). Its trade-weighted index was down at 106.1, *(106.5). Page 25*

● GOLD was down $3 at $481.5. Page 25

● EQUITIES improved on news of Unilever's good first-quarter results. The FT 30-share index added 1.3 to 562.3. Page 28

● GILTS continued Friday's improvement. The Government Securities index rose 0.37 to 67.23. Page 28

● WALL STREET was up 0.36 *at 986.31 near the close.* Page 26

● RETAIL sales volume, seasonally adjusted, rose 0.9 per cent in April compared with March, the Trade Department reported. Back Page

● BRITISH SUGAR forecast a 43 *per cent jump in profits* and dividend this year as part of its defence against S. & W. Berisford's £171m bid. Back Page

● JOHN MOWLEM, Raymond International, and Brown and Root of the U.S. won the primary contract to build an American *Navy base* at Diego Garcia in the Indian Ocean. Back Page

● CANADIAN Government has compromised over *its national* energy programme after opposition from the petroleum industry. Page 4

● SWEDEN recorded a trade surplus of SKr 1.2bn (£118m) in the first four months of this year, against a SKr 2.36bn deficit. Page 3

● UK CONSTRUCTION output is unlikely to recover until 1983, according to an industry forecast. Page 7

● AUSTRALIA and New Zealand Banking Group's merger talks with the Commercial Banking Company of Sydney broke down. Page 24

● BRITISH AEROSPACE is to sell Indonesia four Hawk jet trainers for £18m. Page 5

● DOCKERS' union proposal to modify the 15 per cent pay claim at Southampton was rejected by employers. Page 8

● LAND SECURITIES, the UK's largest property company, reported pre-tax income up from £38.12m to £54.86m in the year ending March. Page 18; Lex, Back Page

● UNILEVER, the Anglo-Dutch soaps, chemicals and food products group, reported a surge in pre-tax profits for the first quarter to £161.1m (£124.7m). Page 18; Lex, Back Page

● SEARS ROEBUCK, the *largest U.S. retailer, had first* quarter earnings of $94.2m (£44.7m), against $59m. Page 22

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Excheq. 11¾pc 1984	£95½	+ ⅛
Excheq. 12¼pc 1999	£88¾	+ ¼
Assoc. Comms. A	60	+ 6
Beatson Clark	170	+ 10
Boots	252	+ 6
Clifford's Dairies A	111	+ 7
Collins (Wm.)	*260*	*+ 15*
Downing (G. H.)	215	+ 7
Gresham House	275	+ 18
Hambros Bank	725	+ 40
Hill (C.) of Bristol	90	+ 48
Hinton (Amos)	114	+ 5
Ladbroke	330	+ 10
Lanca	41	+ 13
Lee Cooper	177	+ 10
Mountleigh	128	+ 13
Phoenix Timber	134	+ 12
Pleasurama	285	+ 18
Press Tools	29	+ 8
Quest Automation	213	+ 23
Southend Stadium	26	+ 6
Unilever	572	+ 26
Whitbread A	168	+ 5
Berkeley Expln.	298	+ 15
Shell Transport	412	+ 8
Titaghur Jute	70	+ 20
Botswana RST	35	+ 4
Cons. Gold Fields	515	+ 15
Gold Fields S.A.	*£40*	*+ 1¼*
Impala Plat.	400	+ 20
Roan Cons. Mines	135	+ 5
Rustenburg Plat.	256	+ 14
FALLS		
Comm. Bank of Sydney	350	− 55
Compagnie Bancaire	£22	− 1¼
Ferranti	488	− 17
Land Securities	412	− 10
Lloyds Bank	340	− 6
Polymark	128	− 5
Racal Elec.	383	− 9
Strata Oil	84	− 16

Thatcher resolute on £10bn defence cuts despite Tory outcry

BY RICHARD EVANS, LOBBY EDITOR

THE PRIME MINISTER is determined to press ahead with controversial proposals to reshape Britain's defences over the next decade, with cuts in *planned expenditure spending* of up to £10bn despite mounting outcry among Conservative MPs.

A preliminary assessment of *the options being put forward* by Mr. John Nott, Defence Secretary, was made by a small group of senior ministers last night, but no firm decisions will *be taken for some weeks.*

It remains to be seen whether Mr. Nott's option involving a massive reduction in the Royal Navy's conventional maritime *capacity will survive the cur*rent row within the Tory Party and the arguments yet to come within the Cabinet.

There were signs yesterday of the anger felt by Mrs. Thatcher at the tactics deployed by both Mr. Keith Speed, the Navy Minister, and senior service personnel in seeking to publicise the planned "running down" of the Navy.

The Prime Minister regarded the exercise as a deliberate attempt to panic ministers and incite Conservative back benchers against Mr. Nott's plans. She regarded it as an attempt by the Defence estab*lishment, particularly the Navy,* to conduct the argument in public to win support before vital decisions were taken. So far it appears to have succeeded brilliantly.

MPs were alarmed at weekend reports that the Royal Navy is to be reduced to little more than a coastal defence force without carriers, and the *Royal Marine disbanded.* Mr. Nott will have a difficult time calming fears when he opens a two day defence debate in the Commons today.

Senior Conservative back benchers, led by Mr. Anthony Buck, former Army Minister, were drafting a Commons motion last night demanding that the Government stand firm on its manifesto commitments on defence. This was seen as a further warning shot aimed at ministers.

Today, Mr. Nott intends to stress that the defence propsals, far from finalised, will not involve cash cuts but changes *in emphasis to make the armed* forces more effective.

It is stressed there is no question of cutting defence spending overall, and the pledge to Nato to increase spending by 3 per cent a year will be met. The problem facing ministers is that the escalating cost of defence equipment means there must be cuts in several areas, although not in the acquisition of Trident, the submarine based nuclear missile.

The meeting at 10 Downing Street to start a preliminary assessment of the proposals was attended by the Prime Minister; Mr. Nott; Sir Geoffrey Howe, Chancellor of the Exchequer; Sir Keith Joseph, Industry Secretary; and Lord Carrington, Foreign Secretary, who was recalled from a Brussels meeting of foreign ministers.

The next stage will be for the Cabinet's Defence and Overseas Policy sub-committee to consider the options towards the end of June. They will then go before the full Cabinet early in July and Mr. Nott will make the decisions public around mid-July — shortly before the Cabinet rises for the long summer recess.

The tactic adopted by defence chiefs has been to ensure that there is full discussion on the *back benches* — where they have influential support — before the issue reaches Cabinet. This will give effective ammunition to Cabinet "wets" and ministers *specifically* opposed to defence cuts.

The key minister in the Cabinet could be Mr. Francis Pym, removed from defence by Mrs. Thatcher in January after rows over last year's defence overspending. He could offer the strongest ministerial resistance *to widespread* defence cuts.

Mrs. Thatcher will do all she can to back Mr. Nott, but the scale of the potential conflict can be gauged from the fact that Lord Carrington as well as Mr. Pym will be opposed to

Continued on Back Page

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Britain faces changes of plan on accession to EEC presidency

BY JOHN WYLES IN BRUSSELS

THE GOVERNMENT is braced for some possibly hasty changes of plan when it takes over the presidency of the EEC's Council of Ministers in July because of the logjam of decisions created by the change of French government.

Some of these problems were touched on in discussions held in Brussels yesterday between Lord Carrington, the Foreign Secretary, and the European *Council as a part of the normal* procedure in preparing for the six-monthly change of council president.

The key issue affected by M. Francois Mitterrand's election is the restructuring of the EEC's budget, which the British had hoped to pilot towards a successful conclusion in the second half of this year.

But the UK now also looks certain to be responsible for picking up the negotiations on *a Common Fisheries Policy.* The changeover at the Elysee has killed earlier hopes of a breakthrough on this issue in June.

The problem with the so-called "budget mandate" is that there are strong doubts about whether M. Mitterrand will be ready to endorse detailed guidelines at the EEC summit on June 28-29 for subsequent negotiations on reforming the Common Agricultural Policy and changing the Community's budget payments mechanisms.

Lord Carrington, who becomes President of the Council on July 1, yesterday stressed that the UK would try to ensure the Community entered 1982 in a "climate of trust."

He defined the scope of negotiations on budget restructuring as embracing reform of the CAP, the development of spending policies outside the farming sector and the need to avoid "unacceptable" budget situations for any member state. This means ending the EEC budget's dependence on large net contributions from the UK and West Germany.

Lord Carrington also spelled out Britain's other priorities for its presidency, although progress on some of these issues may have to wait for policy decisions in Paris.

These included agreement on fisheries; progress on proposals to boost the production and consumption of EEC coal, together with measures to harmonise energy pricing; successful reviews of the regional and social policies; moves to stimulate greater competition *on airline fares and to produce* a plan for EEC transport infrastructure; freedom of establishment for insurance companies throughout the EEC; and measures to help the disabled—the Commission apparently will make proposals to mark the International Year of the Disabled.

French Socialists to explore broad alliance, Page 2

Dutch to buy bulk of Volvo Car

BY CHARLES BATCHELOR IN AMSTERDAM

THE DUTCH Government plans to pump a further Fl 250m (£47m) into Volvo Car, the loss-making Dutch subsidiary of the Swedish motor group, and as a result increase its shareholding to 70 per cent from 45 per cent.

This will be achieved by the issue of new shares in Volvo Car, the former car division of the DAF family company, which *will be paid for by the Dutch* Government in stages over the next four years.

The cash injection is intended to help finance the development of a new model, code-named the G1 as a successor to the 340 series. Volvo of Sweden will put up about Fl 75m to finance its share of the development.

Announcing the plan in a radio interview Mr. Hans Wiegel, the Dutch Deputy Prime Minister, said the company would have folded if aid had not been given. The radio announcement surprised both *Volvo Car and the Dutch* Economics Ministry, which, up to now, has been spearheading the Volvo-Government negotiations. No further details were *immediately available.*

Premature disclosure of the Volvo Car plan may be connected with the Dutch General Election to be held in a week's time. It follows the announcement last Friday of two major boosts for Dutch industry.

The Government then announced it would give Fokker Fl 800m to develop its new 150-seat airliner, the MDF-100, and said a Fl 700m order for 840 light tanks would be placed with a Dutch consortium in spite of a lower tender from a U.S. company.

The Dutch Government has already provided Fl 155m to help develop the G1, which Volvo Car hopes to launch in 1985. Volvo Car is shedding *1,000 of its 6,700 workforce* and is reducing capacitay to 80,000 cars a year from 93,500. The 340, a fairly expensive medium-sized saloon, has maintained its *share of the shrinking European* car market but has not sold in sufficient volume to be profitable.

William Dullforce writes from Stockholm: Volvo would not comment yesterday on reports that it was relinquishing its majority shareholding in the *Dutch plant until negotiations* had been completed.

Previously, however, Mr. Per Gyllenhammar, the managing director, has said that financing the development of Volvo Car was a heavy responsibility, which Volvo was not prepared to shoulder alone.

Top banks raise prime rate to 20%

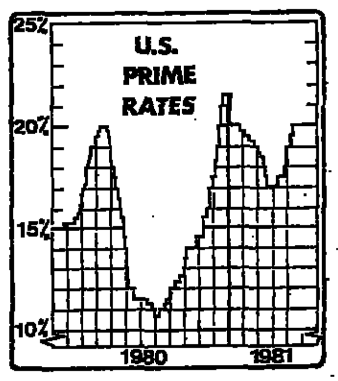
By Paul Betts in New York

MORGAN Guaranty Trust, Citibank and Manufacturers Hanover Trust, three of the leading U.S. banks, led another round of prime rate increases yesterday. They lifted their key lending rate to prime borrowers by half a percentage point to 20 per cent.

In spite of the move, which was followed by a number of other banks, like First National Bank of Boston and First National Bank of Chicago, interest rates continued to ease in credit markets.

This was mainly in response to better than expected money supply figures released by the Federal Reserve last Friday. The market is also optimistic *that the Fed is beginning to* control the latest surge in the weekly monetary aggregates.

The Federal Reserve open market committee, which sets the central bank's credit market policies, was meeting yesterday and the market expected the Fed to maintain tight credit, keeping interest rates relatively *high in the short term.*



Despite the Fed's aggressive monetary posture, many bond dealers suggested that interest rates could start to drift down if the weekly money supply figures remained flat for the next couple of weeks.

Although the market appears to be adopting a more optimistic attitude, it remains extremely nervous about the Fed and the money supply.

Since the Fed increased its discount rate to 14 per cent a fortnight ago, conditions in the money market have improved. The new Treasury 30-year 13⅛ long bond, which traded below par 10 days ago, continued to improve and was trading yesterday at 104, up from Friday's 103⅜.

The latest round of prime rate increases is partly a delayed reaction to the recent increase in the cost of bank funds.

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Wall Street's gloomy gurus, Page 4

Labour Left seeks new opponent to thwart Benn

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

OPPONENTS of Mr. Tony Benn on the left of the Labour Party were last night reassessing their tactics in the light of Mr. Eric Heffer's decision not to enter the deputy leadership contest.

Soundings were being taken of MPs to see if another left-winger could beat Mr. Benn into third place, and rob him of his claim to represent the left.

The most likely alternative candidate looks like being Miss Joan Lester, a member of the party's national executive with impeccable left-wing credentials. Other names being mooted last night were the two Shadow Ministers Mr. Stan Orme and Mr. John Silkin.

A third candidate is unlikely to win the contest but his or her *entry* could upset all previous calculations. Despite Mr. Benn's success over the weekend in getting the support of the white collar union ASTMS, the odds of a straight fight between Mr. Denis Healey and Mr. Benn are still just in Mr. Healey's favour.

Mr. Benn's supporters, who have proved themselves extremely adept at organising over the last few years, reckon that at the moment they look like getting about 46 per cent of the votes. But, with five monhs to go before the election, Mr. Healey cannot be certain of victory.

A third candidate in the field could affect the ballots either way. Mr. Healey might stand to benefit from a split in the left's vote in the first round. *Assuming* he is not knocked out of the first round, Mr. Benn would still probably stand to collect most of the left's vote in the final round.

He might also stand to gain from the fact that a third candidate would undermine the argument against Mr. Benn that there should be no contest at all this autumn.

The election for the deputy leadership has brought into the open the growing split on the *Labour left.* Mr. Benn incensed some members of the left-wing Tribune group six weeks ago when he announced his challenge to Mr. Healey without consulting them.

Moves were then made to find another left-winger who would stand a chance of picking up more left-wing votes at Westminster and also get some support from the unions.

Mr. Heffer, who until recently has been one of the left's closest allies on the executive, was on the verge of announcing his candidature last week. He had been promised the support of 35 MPs. But his *local Labour Party in Liverpool* Walton met and advised him against standing on the grounds that it would confuse the electorate and split the votes of the left.

Yesterday he *said that after* "deep and long consideration" he had decided against standing. He pointedly declined to give his support to Mr. Benn.

Last night, Mr. Orme and other left-wingers met to consider tactics.

Mr. Michael Foot, the Labour Party leader, has opposed Mr. Benn's bid for the deputy leadership throughout on the grounds that it will divide the party at a time when it should *be uniting to fight the Tories.*

Miss Joan Lestor

Mr. Benn's supporters on the far left have made it clear that they regart the contest as being about the much wider issue of who controls the Labour Party rather than just who wins the not very powerful position of deputy leader.

To defeat Mr. Healey, Mr. Benn would need the support of about half the unions, which together will have 40 per cent of the votes in the electoral college. Mr. Benn has been making great efforts at the union conferences, but yester*day his attempt to rally support* at the Union of Communication Workers ran into trouble.

Mr. Tom Jackson, the union's general secretary, wrote to Mr. Foot, accusing Mr. Benn of "outside interference."

But there was also some good news for Mr. Benn. The print workers' union SOGAT, which affiliates 32,000 members to the party, said it was to support Mr. Benn.

New angle on contest, Page 10
Liaison committee agreement, Back Page

CONTENTS

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Brazil-German talks aim at dispelling uncertainty

BY ROGER BOYES IN BONN

PRESIDENT Joao Baptista Figueiredo of Brazil yesterday began two days of talks in Bonn which will focus partly on dispelling the uncertainty surrounding economic relations between the two countries.

Now that the U.S. Administration seems to have adopted a quieter approach to the fighting in El Salvador, the central and south American political situation will play less of a role in the talks than the development of economic links.

But Chancellor Helmut Schmidt, who travels to Washingto nthis week, was keen in yesterday's talks to hear President Figueiredo's generally benevolent views of the new Administration's policies towards south America and on the overall North-South situation.

There are two main clouds over traditionally close German-Brazilian relations. The first involves the $13bn (£6.1bn) Brazilian-West German nuclear agreement, signed six years ago for the supply and construction of eight nuclear reactors. Two of these reactors are close to completion and should come into operation ver the next four or five years.

Nonetheless, there are signs that Brazil is becoming sceptical about West Germany's nuclear knowhow, partly on the grounds that Bonn's own nuclear energy programme has been marking time for some years, to the detriment of its skills in advanced nuclear technology. This in turn has led to Brazil's looking to other countries, notably France, for additional assistance in the nuclear field.

The other problem is Brazil's recent increase in import taxes aimed at reducing its considerable trade deficit. Officials at the West German Economics Ministry, always strongly opposed to protectionist measures, are critical of the move and argue that the downturn in the Brazilian economy would in any case have helped to cut down Brazil's trade deficit of $2.8bn.

President Joao Figueiredo

Bonn's fear is that Brazilian energy diversification plans and its drive to reduce imports will loosen Germany's long-standing toehold in the Latin American market. Brazil receives by far the bulk of West German investment in Latin America and, with investment last year of DM 5.3bn (£1.1bn), Germany was second only to the U.S.

The high inflation rate in Brazil has caused difficulties for some of the many West German subsidiaries based there but on the whole they have been sticking it out, confident that the economy will seen an upturn.

It remains to be seen how far President Figueiredo and his accompanying Ministers will be able to reduce these anxieties through their talks, for example, with the German Chamber of Commerce.

Ric Turner writes from Sao Paulo: Delays in Brazil's nuclear construction programme and its growing costs have drawn severe criticism from businessmen and scientists. The most recent, which attracted much attention, came from Professor Celestino Rodrigues, a member of the National Energy Commission and ex-president of the Brazilian Engineers' Association.

He suggested the scaling down of the programme, limiting it to four reactors, two of which are already under construction. He pointed out that Brazil has already spent more on the nuclear programme than on all other alternative fuel programmes, despite the greater urgency of other programmes, such as alcohol for petrol and fuel oil substitution.

Another leading opponent of the nuclear programme's priority status is General Jose Costa Calvacanti, president of Itaipu, which is building a giant hydroelectric dam, and also of Eletrobras, the state electricity concern. He is concerned by the delay in other programmes, such as the transmission lines for Italpu, which could mean energy shortages in the mid-1980s. The coal programme is also behind schedule.

In an interview recorded for West German television before his departure for Bonn, President Figueiredo declared that despite difficulties encountered in maintaining the nuclear programme because of the country's economic problems, "We have maintained it and will do so in the future."

Observers point out however, that even if four reactors were to be chopped from the total envisaged in the initial agreement with West Germany, there would still be two to build, so that Brazil could be said to be maintaining the programme.

Trade with Russia, Page 5

French Socialists to explore broad alliance

BY DAVID WHITE IN PARIS

THE FRENCH Socialist Party intendsto explore the ground for a broad Left-wing parliamentary alliance immediately after M. Fraincois Mitterrand's inauguration on Thursday and the dissolution of the current National Assembly.

M. Lionel Jospin, who has taken over M. Mitterrand's former functions as party leader, said in a radio interview that the Socialists planned discussions with parties ranging from the moderate Left-wing Radicals to Gaullist splinter factions "and also, obviously, with the Communist leadership."

The discussions would be aimed at "finding out whether we can reach a political accord," he said.

M. Jospin said there were still basic problems between the Socialists and the Communists, although the Communist Party had "changed its tone" since M. Mitterrand's victory in the May 10 presidential election.

For the Communists, M. Pierre Juquin, a member of the party's political bureau, said yesterday that they were "ready for any contacts, any negotiations, any overtures" that might lead to a Left-wing victory in the legislative elections, the first round of which is expected to be set for June 14.

He said that the two parties could maintain different points of view while looking for practical ways of governing together. This referred in particular to the Communist Party's defence of the Soviet Union's intervention in Afghanistan, one of a list of points the Socialists wish to "discuss" before embarking on an alliance.

Talks have already taken place between the Socialists and leaders of the Radicals with a view to uniting the centre-left as part of a wide majority.

The Radicals, who fielded M. Michel Crépeau, mayor of La Rochelle, as candidate in the first round of the presidentials, are bidding to form the hard core of this centre-left faction.

But the name of M. Michel Jobert, former Foreign Minister under President Pompidou who rallied recently to M. Mitterrand's cause, is also being put foward as a possible central figure.

M. Jobert, head of a small political party called the Democrats' Movement, was invited to lunch with the President-elect two days after the election.

Initial talks have also taken place with Mme. Huguette Bouchardeau, head of the Unified Socialist Party (PSU), who like M. Crépeau was one of the first-round candidates.

M. Jospin said that a certain number of Ecologist leaders might also be brought into the talks.

But Ecologists, at a hastily arranged meeting at the weekend, came out against any pact with the Left.

Banker warns Mitterrand on the franc

BY LESLIE COLITT IN BERLIN

THE PRESIDENT of the International Institute of Savings Banks in Geneva, Herr Helmut Geiger, said yesterday that the French franc would weaken further if M. François Mitterrand introduced sweeping social changes and followed a policy of strong economic growth.

Herr Geiger, who is also president of the German Savings Bank Association, said at a conference in West Berlin that such policies would also lead to growing difficulties within the European monetary system.

He called on the new French President to steer a course which would avoid a weakening of the franc.

Herr Geiger also urged western Governments to combat inflation by reducing deficit spending. He said they should not shrink from taking "unpopular measures" and noted that by the end of this year West Germany's public debt would amount to DM 300bn (£63.4bn). A 1 per rise in interest rates would mean an added burden of DM 3bn.

Herr Geiger noted that savings banks in all countries would be hurt by high interest rates as they were prohibited from offering certificates of deposit, which provide commercial banks with funds, cheaper than customers' deposits.

The West German savings banks have seen a drop in deposits in the first quarter of this year of DM 5.8bn.

Polish hardliner meets his critics

BY CHRISTOPHER BOBINSKI IN WARSAW

ONE OF THE Polish Communist Party's leading hardliners, Mr Stefan Olszowski replied to his critics at the weekend at a meeting at the Elana works in Torun which is a stronghold of the rank-and-file movement for democratic changes within the party.

The fact that Mr. Olszowski, who enjoys Moscow's confidence, decided to go to Torun shows that the party hardliners are intent on strengthening their chances of staying in the leadership by presenting a more moderate front in the weeks leading up to the party congress in July.

Mr. Olszowski expressed qualified approval of the rank-and-file movement and said it was a "consequence of the activisation of the party masses." But he said traditional party structures should not be changed. There should be no split in the party, nor should it turn into a social democratic party.

Mr. Olszowski, who has been widely criticised inside the party for his handling of the media, said he was willing to listen to "remarks on information policy."

He also admitted that there had been mistakes in the handling of propaganda after the Bydgoszcz incident last March when three members of the independent union, Solidarity, were beaten by police. Mr Olszowski's policy at that time did much to increase tension by presenting a one-sided view of the incident which almost led to a general strike.

Meanwhile, Mr. Tadeusz Grabski, another prominent hardliner, was due yesterday to begin hearings designed to establish who is responsible for the present crisis. Mr. Grabski heads a party commission which was recently set up. It has said it will interview Mr. Edward Gierek and other former leaders.

The question of who is to be held responsible is the most important single issue inside the party. If Mr. Grabski produces a set of conclusions which satisfy the rank and file his chances of surviving the party congress in July will grow.

But he is treading a political minefield as some members of the previous leadeship are still in office and efforts to shield them will renew anger among the rank and file.

A party meeting has been by told by Mr. Grabski that Poland's national income could drop by 14 per cent this year. Planned targets for industrial production would have to be revised downwards by Zl 300bn (£4.3bn) and investments cut be another Zl 50bn. Coal production could well be between 16m-18m tonnes below the planned target and was likely to be about 165m tonnes.

Reuter adds: Cardinal Stefan Wyszynski, Roman Catholic Primate of Poland, has chosen to remain in his Warsaw residence rather than go to hospital as doctors try to halt an illness that has bought him near death. The Cardinal, aged 73, fell ill two months ago with a stomach ailment, and was given the last rites on Saturday.

Lisbon seeks IMF aid for development plan

LISBON — Portugal, worried about its growing balance of payments deficit, has begun preliminary negotiations with the International Monetary Fund on a long-term loan, the governor of the country's Central Bank said yesterday.

Professor Jacinto Nunes told the Lisbon daily newspaper, Diario de Noticias, that Portugal had begun talks with the IMF on a credit for at least three years to help finance the country's 1982-84 economic plan.

According to Central Bank officials, it would be the first Portuguese application for help under the IMF's new supplementary facility, by which it could receive up to $1bn (£466m). Borrowing under this facility is on easier terms than regular IMF credits.

The Government has already admitted that Portugal could have a record balance of payments deficit this year, exceeding the 1977 peak of $1.5bn.

The IMF money would be used for investment to increase production, thus cutting down on imports.

Portugal negotiated a $50m stand-by credit with the IMF in 1977 as part of an emergency rescue package which led to a drastic austerity programme but brought in substantial commercial bank loans.
Reuter

Italy votes for status quo on abortion law

BY RUPERT CORNWELL IN ROME

ITALIANS have voted massively for the status quo in five national referendums—and seemed last night to have rejected convincingly Church-backed proposals for a drastic tightening of the country's existing abortion laws.

Incomplete results announced yesterday for the anti-abortion referendum, promoted by the Catholic-inspired Movement for Life, suggested that it had been rejected by more than two-thirds of those who voted. If this pattern held good it would mark a significant defeat for the Church, whose vigorous campaign took its cue from outspoken attacks on the existing legislation by the Pope.

A victory of such proportions would be all the more remarkable in that many observers, particularly among the centrist lay parties and Sig. Enrico Berlinguer's Communists, who had defended the present law, feared that a wave of sympathy for the injured Pope might carry anti-abortionists to victory.

Instead, the apparent outcome of Sunday's voting would maintain regulations permitting National Health abortion within the first 90 days of pregnancy on certain conditions. It suggests that the emancipation of the Italian people and state from the ancestral pressures of the Church is more complete than was previously believed.

Defeat for the anti-abortionists, whose cause was backed openly by the ruling Christian Democrats, has also removed what threat there was that the vote might lead to a Government crisis.

It had been feared that a different result would worsen relations within the coalition between the Christian Democrats and their smaller lay allies whose support is essential for the Administration of Sig. Arnaldo Forlani to survive.

In the longer run yesterday's result could weaken the authority of the Christian Democrats and strengthen the position of the Socialists, under Sig. Bettino Craxi.

Results in the other four referendums seemed even more clearcut. Rival abortion proposals, backed by the left-wing Radical Party which would have entirely liberalised abortion within the first three months of pregnancy, were heading for a nine-to-one defeat.

Sig. Berlinguer: defence of the existing law

About six-sevenths of the electorate seemed to have voted in favour of existing anti-terrorist legislation. This gives police sweeping rights to search and detain, and offers incentives for the "repentant terrorist" whose confessions have greatly helped police in recent investigations.

A similar majority was shaping up against left-wing proposals that would have banned the possession of firearms for anyone but the police and the military, while three quarters of the electorate seemed to be opting for the retention of life imprisonment in the penal code.

● The Pope was moved out of intensive care and into a private hospital suite yesterday. His doctors stressed that the Pope, who was shot in St. Peter's Square, six days ago, was still not out of danger.

Magistrates are continuing to interrogate Mehmet Ali Agca, the Turk accused of trying to kill the Pope. Italian police yesterday issued photographs of two Turkish extremists wanted for questioning.

Forlani may face storm over P-2 disclosures

BY OUR ROME CORRESPONDENT

NEW TROUBLE may be brewing for Italy's four-party coalition, despite the country's calm handing of the five weekend referendums.

Sig. Arnaldo Forlani, the Prime Minister, was due to make a statement to Parliament yesterday on the activities of the mysterious P-2 (Propaganda-2) Freemason's lodge based in Arezzo, to which scores of influential politicians, civil servants, journalists and financiers are alleged to belong.

Although the affair is hard to disentangle, even by the exotic standards of Italian political scandals, it could have repercussions for the stability of the seven-month-old Government.

The lodge, at least according to the myriad leaks and rumours which have been surfacing in the Press, appears to have been a sort of clearing house for scandals past and present.

It is being linked with the Sindona scandal, the $2bn oil-tax evasion fraud unearthed last autumn, the ENI-Saudi Arabia affair, and that impenetrable undergrowth in which Italy's discredited secret services and extreme Right-wing terrorism have beenlinked.

Sig. Licio Gelli, the master of P-2 who has gone into hiding, yesterday sent a telegram to Sig. Forlani urging him not to make a list of alleged members of the lodge public. To do so might have "international repercussions," Sig. Gelli said.

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A cloud obscures Rallis's election chances

Air pollution and traffic problems in the capital are alienating just those voters on whom Greece's right-wing Government, headed by Mr. George Rallis, ought to be able to rely in the autumn general election. Victor Walker in Athens examines issues which are likely to weigh with the electors.

A CLOUD is hanging over the head of the Prime Minister of Greece, Mr. George Rallis, as he goes into a summer of campaigning for general elections, expected to be held around the end of October.

It is grey-blue in colour, stings the eyes and causes headaches. For Mr. Rallis's Right-wing New Democracy Party, it is the worst of a series of irritants, as campaigning starts for one of the most crucial and least predictable elections since the Second World War. They may be forgotten once the major issues—inflation, relations with Turkey, membership of the EEC and Nato and the future of U.S. bases in Greece—are over. But the irritants are problems a more adroit Government might have avoided.

Mr. George Rallis: accused of being over-cautious

The cloud of smog now hanging over Athens is not yet killing anyone, nor even sending more than a handful of its consumers to hospital for oxygen. But the cloud is becoming almost a permanent resident of what was once an Attica sky of unexcelled clarity. For the third spring in succession, swallows have not nested in Athens.

The immediate villains are industry and traffic, with winter assistance from central heating and, in summer, the ubiquitous dust of a city with little greenery. Ultimately, it is a matter of urbanisation; there are simply too many people in Athens—about 30 per cent of the country's 9.7m population.

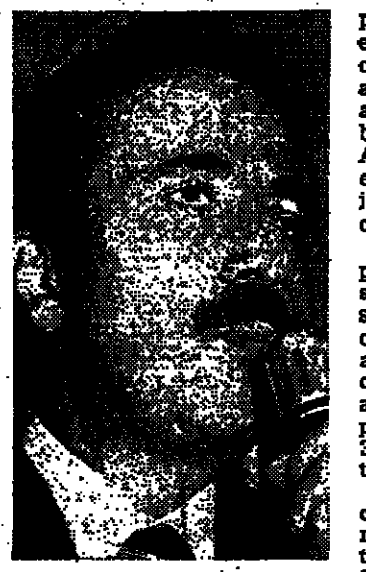
The Government has up to now preferred a long-term policy. It has announced a freeze on new industry or expansion of existing plant in Attica, is making low-sulphur oil available from the state refinery for industry and power stations, and has announced but not yet applied tighter controls on the exhaust fumes of buses, trucks, cars and central heating.

No government could be expected simply to "close" Athens to newcomers, still drifting in from the provinces at a rate that has swelled the population of the capital by close on 500,000 in the last 10 years. Nor can it go along with such radical deterrents to migration as a higher income tax rate for Athenians, proposed by some environmentalists with no interest in votes.

But a Right-wing government is inevitably accused that a cautious policy on pollution is forced on it by its close links with industry. Mr. Andreas Papandreou, the Socialist opposition leader, has already asserted bluntly that Athens pollution is the Government's fault and not just its responsibility.

Mr. Rallis' critics complain that nothing has been said about moving the more highly pollutant industries out of the area altogether—so far, only the Athens gas works is definitely going—and requiring the rest to invest in improved technology. Calls for the establishment of a central pollution control agency have been ignored.

A grass-roots protest movement against the city's air is developing, cultivated by the Socialist mayor of Athens, Mr. Demetrios Beis. When Mr. Beis organised a mass demonstration and march to the Athens Parliament, the Government, to the distress of some of its supporters, insisted on regarding his action as politically motivated. The Government has thus handed the parties of the Left the telling slogan "Concern for the Health of our Children."



Mr. Demetrios Beis: leading a grass-roots protest

The four-day Easter holiday this year saw an unprecedented exodus from Athens, attributed in part to a desire to get away after the February earthquakes. Some 270,000 cars left the city, and the fewer buses that ran were unaffected by traffic jams. The result was the lowest air pollution readings in central Athens since 1977.

This inevitably increases pressure on the Government to elevate traffic to the role of villain-in-chief — ignoring the fact that industry also closed for Easter — and to extend to high-pollution days the circulation system for odd- and even-numbered vehicles now in force at weekends to save fuel.

But the million-odd Greeks who own cars and the tens of thousands more who would like to are already smouldering over these restrictions. Despite EEC accession, a skein of taxes still make car purchase twice as expensive in Greece as anywhere else in Western Europe, and petrol costs that are said to be the highest in the EEC. Motorists could become mutinous if forced to take public transport to work whenever the cloud is particularly offensive—especially since they attribute pollution to industry and the State-owned jalopy buses still chugging along Athens streets in cloaks of blue exhaust fumes. Public transport in Athens is now permanently on the verge of breakdown.

The traffic and air-polution problems are matched by the state of the beaches and the sea, which last year caused an outbreak of skin problems among swimmers. Athens is the only European capital without a biological sewage treatment plant. Instead, the sewage of its 3m population is pumped untreated into the Saronic Gulf.

The Government has been criticised for not taking more radical action either to solve the overal problem or to enforce legislation requiring industry and hotels to instal their own waste processing units. So far, the foundation stone has been laid of only one of a projected series of nine treatment plants for Athens.

Finally, almost every householder in Greece is convinced that the Public Power Corporation has been caught juggling the figures over the real increase of electricity rates this year and the degree to which it was genuinely necessitated by higher oil costs. There is also discontent over what is felt to be inequitable distribution of the burden between industrial and household consumption.

The upshot is a murmering among those middle-class voters on whom Mr. Rallis ought to be able to rely over issues that should not be political issues at all.

In these circumstances, and with the main issues of the campaign yet to be developed, Mr. Rallis has made what may be described as an unfortunate start in the pinprick sector

Swedish trade balance improves

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

THE SLOWDOWN in Sweden's economy, measured in falling consumption and industrial output, has been relieved by a substantial improvement in the trade balance during the first four months of this year.

Forecasters have been able to scale down slightly earlier estimates of the current account deficit and the foreign borrowing requirement for 1981.

In the first four months Sweden recorded a trade surplus of SKr 1.2bn (£118m) compared with a deficit of SKr 2.36bn for the corresponding period last year, according to preliminary calculations by the Central Statistical Bureau.

The change is due chiefly to a 15 per cent slump in the volume of imports, which more than outweighed a 5 per cent decline in export volume.

Import prices rose faster than export prices during the period but at current prices the value of imports still declined by 6 per cent against a 2 per cent rise in the value of exports.

The primary reason for this development has been a sharp drop in Sweden's oil consumption. Imports of crude oil fell by 18 per cent in volume and 2 per cent in value in the first four months compared with January-April, 1980. Imports of oil products tumbled by 41 per cent in volume and 34 per cent in value.

In its revised finance plan issued last month, the Economy Ministry reduced its forecast for the 1981 current account deficit by Skr 3.2bn to Skr 19.6bn and, if the present trend continues, the outcome may be even lower.

The State Debt Office now estimates that it will have to borrow less than Skr 20bn abroad this year compared with the Skr 21bn-Skr 25bn forecast in the original finance plan.

Most other economic indicators are negative. Consumer prices rose by 5.7 per cent in the first four months.

Industrial output during the first quarter was 2 per cent higher than during the previous three months but 2 per cent below the first quarter of 1980.

Danish hospitals hit by young doctors' strike

BY OUR COPENHAGEN CORRESPONDENT

NEARLY 5,000 junior hospital doctors went on strike in Denmark yesterday in protest against the terms of a new contract.

The young hospital doctors, 98 per cent of whom had voted against the deal, ignored an appeal from Mr. Anker Jorgensen, the Prime Minister. He had asked them to continue negotiations with the local authorities and offered to act as mediator.

The doctors, whose strike took the form of a mass resignation, say the contract was forced on them earlier this month when their umbrella organisation, covering such academically trained professions as doctors, engineers and high-school teachers, approved a new agreement which applied to the entire group.

They are demanding improved working conditions and better educational opportunities during post-graduate in-hospital training. Negotiations broke down on Sunday and no further meetings are planned.

Senior doctors were planning yesterday to work and sleep around the clock at many hospitals for the duration of the dispute. But some departmental chiefs said they could hardly stand up to the pressure of work for more than a couple of days.

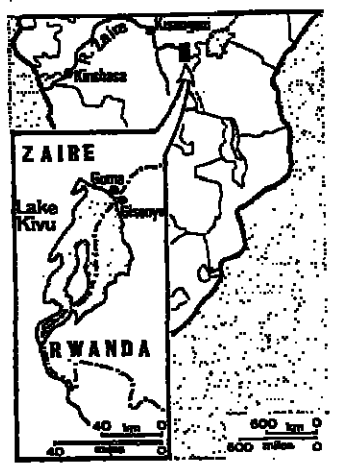
ZAIRE'S SMUGGLERS

Coffee and champagne beside Lake Kivu

BY MICHAEL HOLMAN, RECENTLY IN GOMA, ZAIRE

DUSK is falling on Lake Kivu in Eastern Zaire, and water laps at the private jetty of a rich coffee trader. On the far side, lights are beginning to flicker from the Rwanda town of Gisenyi.

"Stand here at midnight," says the trader, who has put some of his profits into real estate in the U.S., "and you'll see the boats of the coffee smugglers." They don't bother to disguise their activities, he explains, because they enjoy the connivance of local officials. Prices in Rwanda are three to four times higher than in Zaire and as much as half Kivu province's coffee production finds its way across the border.



Smuggling of Zaire's largest agricultural export—worth 8 per cent of foreign exchange earnings—has cost the country hundreds of millions of dollars, part of the dismal story of agriculture in Zaire.

At independence in 1960, the country met its own food needs and commercial crops brought in 40 per cent of export earnings. But a combination of the tumultuous upheavals in the post - independence years, nationalisation, and the breakdown of internal communications, put an end to this. The country now spends over $200m a year on imports of basic food, and coffee is the only significant agricultural export.

The bulk of the annual 70,000-80,000 tonne crop—85 per cent of which is Robusta and the rest Arabica—is grown in three provinces: Kivu itself (20 per cent), Haut Zaire (37 per cent) and Equateur (26 per cent).

Much of the production from all three regions is smuggled, mainly to Congo Brazzaville, Sudan and Rwanda. Foreign exchange is also lost through false classifications—exporting premium beans as lower grades. The amounts involved, both in tonnage and value, depend on world market prices but during the coffee boom in 1977 the overall loss to Zaire was put at $275m while the annual average loss between 1975 and 1979 was $100m, most of which remains in accounts abroad.

It certainly provides little benefit to Goma, a run-down but quaint town of some 15,000 people on the edge of Lake Kivu. It was once a tourist centre for a beautiful volcanic region. But tourists are now infrequent and the 100-room Karibu Hotel overlooking the lake relies mainly on local trade.

Part of the problem is getting there. Air Zaire's services to Goma are unreliable and the alternative is a cargo flight which can mean sharing the space with meat carcasses. But once there, the visitor is a world away from the steamy heat and seamy intrigues of the densely populated capital, Kinshasa. The crisp climate in itself provides a break, while some of the institutions have a pleasing informality.

In the "Restaurant Ca Depend," off the main road from the airport, the proprietress nonchalantly uncaps a bottle of orangeade with her teeth, plonks it down on the red and white check tablecloth, and chews the cap reflectively as she moves back behind the counter.

A little nearer the town centre, a run-down wooden shack carries the yellow, red and green colours of the ruling Mouvement Populaire de la Revolution, but the link with central authority is more symbolic than real.

The economy of the province has more to do with Kenya and Rwanda than Kinshasa, 1,000 miles away. Goma's transport problem graphically illustrates the deterioration of the road network in Zaire and the enormous problems in administrating the sprawling territory.

It is up to four weeks' travel from Kinshasa for a driver prepared to brave neglected roads and carry his own petrol and spares. The coffee that is not smuggled into Rwanda has a tortuous journey by lorry to Kisangani, and then by river barge to Kinshasa and beyond to Matadi, Zaire's only sea port. So inefficient is the rail-barge system operated by the Office National des Transports that traders increasingly opt for private freight operators at two or three times the cost.

As for postal links, a letter from Europe can take four to six months, and one Belgian planter rents a mail box in Gisenyi, and makes the short drive to the Rwandan town once a week.

In the market, shops carry goods from Nairobi, brought overland through neighbouring Uganda—soap, oil, washing powder and clothes. For the tiny minority of expatriates and well-off Zairois, the stores on Goma's main street have—at a price—wine from France, chocolates from Switzerland, and olives from South Africa, air-freighted via Kinshasa.

The homes of the rich in Goma run along a finger of land which juts into the blue lake, and then curves to form a natural harbour—now almost derelict.

It is in this enclave that the coffee trader spends a few months of the year, and he has brought his new wife to Goma for the first time. The event is being celebrated with fine champagne by a group of friends, delighted to have a new face in the small expatriate community.

For them it remains a relatively comfortable life. But things are unlikely to improve for the people of Goma since prospects for coffee are poor. Plantations account for 42 per cent of the area of the crop under cultivation in Zaire, and 60 per cent of production. But nearly half the plantations were established before 1950 and the yield is falling as the bushes age.

One study revealed that in Haut Zaire, only 10 per cent of the plantations will be productive in the long run unless there is substantial replanting, and average yield has fallen by half in the last 12 years.

This had led to increasing dependence on the small holders, but they face serious difficulties. One of their biggest problems is lack of credit, mainly because the Agricultural Development Bank simply does not have enough staff to supervise small loans. Growers also complain about inadequate prices, particularly since the Zaire currency is overvalued and inflation reached 100 per cent in 1978, though has since been brought down to around 30-40 per cent. The future is not promising.

OVERSEAS NEWS

Habib in Damascus as Syrian missiles 'hit Christian port'

BY DAVID LENNON IN TEL AVIV

ISRAEL is awaiting the return of Mr. Philip Habib, the special U.S. envoy, from Damascus, probably today, to learn whether there has been any progress in the prolonged diplomatic attempt to resolve the Lebanese missile crisis which still threatens to lead to a military confrontation between Israel and Syria.

Mr. Habib arrived in the Syrian capital yesterday following two days of talks in Saudi Arabia where he reportedly also met with King Hussein of Jordan. Officials accompanying the envoy were quoted before leaving Riyadh as saying that the situation remained tense and serious.

There were reports from Lebanon of intensified fighting yesterday between Syrian and Christian forces, with Radio Lebanon claiming that Syria had fired 15 Russian-built surface-to-surface missiles into the Christian port of Jounieh. This port, to the north of Beirut, is the main point of entry for the military equipment which Israel admits it supplies to the Christian forces.

Mr. Menahem Begin, the Israeli Prime Minister, said that, when Mr. Habib returned from Damascus, either late yesterday or today after discussions with President Hafez Al-Assad, "more will be known about the situation concerning Lebanon."

At the same time, the Premier negated the role which Saudi Arabia was believed to be playing in trying to soften the Syrian stance on the anti-aircraft missiles, moved into Lebanon nearly three weeks ago, which sparked the crisis.

Mr. Begin said that Saudi Arabia is not capable of playing any positive role because it has a reactionary regime from the Middle Ages which is building up a stockpile of weapons directed against Israel.

During a meeting of the Knesset Committee, there were sharp exchanges between the Premier and Mr. Shimon Peres, the leader of the opposition Labour Party, which has been highly critical of the Prime Minister's handling of the confrontation with Syria.

Government Ministers have accused the opposition of disloyalty and trying to make political gain by questioning their handling of the crisis.

Our Damascus Correspondent adds: Shortly before Mr. Habib's arrival here, President Assad and other Syrian leaders emphasised that they would not modify their stand on Lebanon.

The Press in Damascus is stressing the support which Syria is gaining from Saudi Arabia and other Arab states. Mr. Abdel-Raouf al-Kasm, the Syrian Prime Minister, also praised "the wide-scale support of the Soviet Union for Syria."

Meanwhile, in Beirut, fighting between Christian militia forces and the Syrian army died away yesterday after a weekend of heavy shelling in which 20 to 30 people are reported killed.

BEIRUT: A U.S.-supplied refugee bag, filed with sand, weighs down cannon being loaded by leftist guerrillas.

Nervous moves on Tel Aviv stock exchange

BY OUR TEL AVIV CORRESPONDENT

ONE OF the few signs of nervousness in Israel over the Lebanese missile crisis has been the erratic behaviour of the Tel Aviv Stock Exchange which exprienced sharp selling at the beginning of last week and again this week. There has also been increased demand at the commercial banks for foreign currency.

There has been no panic buying in the shops nor are there any indications that people are stockpiling foodstuffs in anticipation of a military clash with Syria. Indeed, Israel's teachers are so unconcerned by the situation that they have declared a strike from today in support of wage demands.

The stock market opened this week with a wave of selling and equity prices fell across the board as nearly 100 issues fell by margins of between 5 and 10 per cent. Turnover was more moderate than at the beginning of last week when investors and speculators dumped stocks with little concern for prices.

Last week's slide was halted by the intervention of the commercial banks which, as underwriters on the new issue market, see it as in their interest to maintain favourable trading conditions. If the selling accelerates this week, they will presumably once again buy up the stocks and counsel moderation.

The commercial banks reported that, in the past few days, there has been a brisk demand for foreign currency, especially dollars. The demand for dollars quadrupled recently, according to some bankers. But this was attributed as much to speculation that the shekel may be devalued by up to 15 per cent, as demanded by the country's exporters, as to the possibility of a military flare up.

Suzuki adviser starts tour of Europe

By Richard C. Hanson in Tokyo

MR. HIDEO KITAHARA, an adviser to the Foreign Ministry, began an "unofficial" tour of European capitals this week to exchange views on European-Japanese relations, including economic ties, prior to the visit next month of Prime Minister Zenco Suzuki.

According to the Foreign Ministry, Mr. Kitahara, who formerly served as Japan's ambassador to France, will spend two weeks calling on leaders in countries on the Prime Minister's itinerary. They include Italy, Britain, West Germany, the Netherlands, Belgium, France and the EEC in Brussels.

Mr. Suzuki leaves for Europe on June 9, on the first official tour by a Japanese head of Government in several years.

Mr. Kitahara will not be travelling in any official capacity, but he is expected on return to Japan to brief Mr. Sunao Sonoda, the new Foreign Minister.

Tehran 'tries to oust bank chief'

BY PATRICK COCKBURN

THE IRANIAN Government is trying to oust Mr. Ali Reza Nobari, the central bank governor, from his position President Abolhassan Bani-Sadr has said in his newspaper.

Mr. Nobari, who has gained general respect for his management of the bank, has long been ally of the President and has come under attack from the clergy-dominated cabinet in the past.

In a letter to his daily newspaper, the Islamic Revolution, President Bani-Sadr says that a Bill before Parliament will give Mr. Mohammed Ali Rajai, the Prime Minister, power to appoint some top officials now named by the President. Mr. Nobari is among those under threat.

It is also believed that Mr. Nobari is unlikely to attend this week's International Monetary Fund interim committee meeting in Gabon.

Officials in Tehran said "difficulties" had arisen, but gave no details.

President Bani-Sadr has also criticised Iran's proposed budget of \$44bn (£21bn) which he says will make the Government 80 per cent dependent on oil revenues for financing. He said reliance on oil is a continuation of the Shah's economic policy.

Peace talks with Burmese communists fail

BY OUR RANGOON CORRESPONDENT

EFFORTS by President Ne Win of Burma to end insurgency in his country through a policy of "national reconciliation" have been hit by a breakdown in peace negotiations with the underground Burma Communist Party (BCP).

Speaking yesterday before the ruling Burma Socialist Programme Party, he said secret negotiations the Government had recently held with a BCP delegation had to be called off as the BCP terms for peace called for the continued existence of the BCP as a party and for its armed forces to remain intact.

The failure of these negotiations, the first since 1963 when Government conducted peace talks with all insurgent organisations, including the BCP, would mean continuation of the Burmese Communists' 35-year armed struggle for power.

Driven by Government forces from hideouts in Irrawaddy delta and Peguhill jungles by 1975, they have since been operating from bases near the Sino-Burmese border in the east and in northeast Burma.

India and Bangladesh clash over 'mud bank'

BY D. P. KUMAR IN NEW DELHI

INDIA HAS deployed warships near New Moore Island in the Bay of Bengal to counter, as a Foreign Office official put it, the presence of three Bangladesh gunboats.

The naval confrontation has developed over a newly emerged island, a 12 kilometre square mud bank named New Moore, formed it is believed, by silt flows from the Ganges. Ownership of the infant land mass has been in dispute for some time and India and Bangladesh had agreed to have it jointly surveyed in the hope of reaching an amicable settlement.

New Delhi Foreign Office officials said armed Bangladesh gunboats had trespassed into Indian waters and threatened Indian personnel and a ship at the island—located south of the Sunderbans at the mouth of the Ganges in the Bay of Bengal—on three successive days last week.

They said India had taken a serious view of Bangladesh's "provocative" action and had lodged a strong protest with Mr. Abdul Ehsan, the Bangladesh High Commissioner in India, who met Mr. R. D. Sathe, the Foreign Secretary in New Delhi on Saturday.

Mr. Ehsan reiterated his country's claim to the island and Mr. Sathe told him the claim was "baseless." The island belonged to India both in terms of maritime boundaries and for historical reasons.

Mr. Ehsan was told in clear terms that the movement of gunships and an anti-Indian campaign launched in Bangladesh newspapers had introduced a new element of tension in the relations between the two countries.

India has rejected a Bangladesh demand for withdrawal of the naval ship, men and materials from New Moore Island. The question of a pull-out does not arise the Foreign Office said, because the island was part of India.

An Indian naval ship had gone to the area after provocative activities by the Bangladesh Navy.

The Bangladesh Foreign Ministry has expressed "complete surprise" at the landing of personnel from an Indian war ship on the island and asked India to desist "from such unilateral and provocative action in future."

Sceptical West discounts Chinese war noises

By Tony Walker in Peking

A LOT of noise and perhaps not so much action. That is the assessment of Western intelligence experts in both Peking and Hong Kong of latest reports of an upsurge in fighting along the Sino-Vietnamese border.

Border clashes are a permanent feature of relations between the two communist powers in Asia but, in recent weeks, Peking has protested twice to Hanoi, claiming several bloody engagements in which about 200 Vietnamese troops are alleged to have been killed. If the numbers killed have been accurately reported, this is the most serious engagement since the 1979 conflict.

Western diplomats in Peking, however, are sceptical about some of the Chinese claims. They say China has propaganda reasons for wanting to draw attention to Vietnamese activities on the border.

They point out that Peking's propaganda offensive against Hanoi coincides with delicate negotiations on the formation of a united front in Kampuchea and preparations by countries of the Association of South East Asian Nations (Ascan) for an international conference sponsored by the United Nations on the future of Kampuchea.

"It will be interesting, to see if the drumfire peaks around the Asean Foreign Ministers' meeting later this month," one Western diplomat said.

Peking may also be anxious to remind the world that Vietnam is an aggressive force in South-East Asia, one diplomat said, adding that China may be signalling to the Vietnamese that it is not safe to withdraw troops from the border area.

According to a recent assessment, China has some 250,000 troops deployed along its border with Vietnam. The Vietnamese are said to have slightly more, perhaps between 260,000 and 280,000.

Intelligence experts say there has been no indication of a sudden forward deployment by either side of troops and weapons which would indicate they were preparing for a major engagement. Activity on the border remains "fairly normal."

Earlier this month, China alleged there had been some 241 incidents in the first four months of this year.

Protesting through the Vietnamese embassy in Peking, China accused Vietnam of "organised and planned military provocations and intrusions into China's border regions" and demanded the Vietnamese "immediately stop all their encroachment on Chinese territory and put an end to their provocations and disruptive activities along the Sino-Vietnamese border."

A second protest note, lodged at the weekend, accused Hanoi of "repeated armed provocations and intrusions into China's border areas." This preceded reports on Sunday of the clash in which 150 Vietnamese are alleged to have been killed.

A Western military expert here said China, in its border regions, has "much more mobilisation potential," emphasising that it could build up numbers along the border to 600,000 "very rapidly." However, it would need 1m men to mount a "credible" strike force against Vietnam.

The latest clashes and continuing serious tensions over Kampuchea almost certainly mean that border talks abandoned last year have little chance of resuming. China has laid down strict conditions for the resumption of talks, including a positive indication from Hanoi that it is prepared to withdraw troops from Kampuchea. This is likely to remain a stumbling block just as clashes along the Sino-Vietnamese border are likely to persist.

AMERICAN NEWS

Storm over President's human rights nominee

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

THE U.S. must stand by its allies even when their human rights records are far from ideal, according to the most controversial nominee yet put forward by the Reagan Administration for a high government position.

The assertion of Dr. Ernest Lefever, named to be Assistant Secretary of State for Human Rights, during confirmation hearings yesterday, comes at a time of complex and heightened debate over U.S. attitudes towards humanitarian issues.

Within the past 24 hours, the following developments have taken place:

● Former President Jimmy Carter, in his first major public speech since leaving office, declared in New York that the U.S. must continue to speak out "boldly and openly" on human rights.

"The exertion of pure power or a reversion to cynicism will not do justice to our people or the principles of our nation," he said.

● Dr. Lefever responded yesterday by saying that President Carter's policies had "confused friend and foe," that quiet diplomacy, recognising overall strategic concerns, was more effective, and that "public preaching invites the charge of arrogance."

● To senior Government officials threatened to resign yesterday if the U.S. this week votes against the proposed World Health Organisation code of conduct concerning the sale of infant formula in third world countries—an issue in which Dr. Lefever has argued vigorously on the side of American industry.

A welter of human rights, political and health organisations have combined to try to stop the nomination of Dr Lefever.

They object to his well-publicised assertions that the U.S. should, in effect, not have a human rights policy, to his apparent belief that the U.S. should focus its criticism on Communist totalitarian regimes rather than Right-wing authoritarian governments, and more specifically to his argument on the side of U.S. industry in the infant formula issue.

Although not raised in yesterday's morning's hearing, the infant formula issue is one on which the U.S. is on the verge of standing alone.

This was made clear yesterday when the head of the Agency for International Development stated that he would accept the resignations of two of his senior officers, and that the U.S. would vote against the code this week in Geneva. No other nation is likely to oppose it.

Dr Lefever did not directly defend his reputation for extreme conservatism yesterday. Instead, he concentrated on stressing the mandate that last year's elections gave the Administration to pursue different human rights policies from that of President Carter.

"It is," he said, "uncomfortable but inescapable" that there will be occasions when the need to support allies whose "human rights record is not blameless" will outweigh human rights considerations. This, he described as "the agonising choice."

Regan in new tax cut talks

BY OUR U.S. EDITOR IN WASHINGTON

THE REAGAN Administration moved into high gear yesterday to try to grapple with the twin controversies surrounding its proposals to cut taxes and social security benefits.

Mr. Donald T. Regan, the Treasury Secretary, flew back from Saudi Arabia on Sunday night in response to a direct call from the White House, ostensibly to be on hand to deal with both issues, as well as to take part in this week's deliberations with Herr Helmut Schmidt, the West German Chancellor, in Washington.

This means that he will be missing the meeting of the International Monetary Fund's interim committee in Gabon, which convenes on Thursday. He is being replaced as head of the U.S. delegation by Mr. R. T. Mcnamar, the Deputy Secretary of the Treasury.

Mr. Regan's return to Washington means that only one of the industrialised world's top five Finance Minister's—Britain's Sir Geoffrey Howe—will be attending the Libreville meeting. As well as Mr. Regan, the West German, French and Japanese Finance Ministers also will be absent from the Gabon gathering.

At the same time, President Reagan yesterday conferred in the Oval Office with Mr. Paul Volcker, chairman of the Federal Reserve Board. Afterwards, both the White House and the Fed declined to divulge any details of the discussions.

Reagan plans for economy face Maryland test today

BY OUR U.S. EDITOR IN WASHINGTON

THE AMERICAN electorate—in the shape of the people of the Fifth District of Maryland—today gets its first opportunity to pass judgment at the polls on President Ronald Reagan's radical proposals to revitalise the U.S. economy and society.

The special congressional election in Prince George's County, mostly comprising the Washington suburbs, was called after the popular Democratic incumbent, Mrs. Gladys Spellman, suffered a severe heart attack on the eve of last November's voting.

She won with three-quarters of the vote but her continued incapacity prompted the House of Representatives subsequently to declare her seat vacant.

Today's contest pits a well-known Democratic politician, Mr. Steny Hoyer, against Mrs. Audrey Scott, the Republican Mayor of the town of Bowie. Local considerations will obviously count, but the race has been given particular point by the heavy White House involvement on Mrs. Scott's behalf.

Vice-President George Bush has recorded several radio and television commercials for Mrs. Scott, and President Reagan has written a widely-distributed letter of endorsement.

Mr. Hoyer has aligned himself solidly behind the alternative economic proposals put forward by the Democratic Party.

Given Mrs Spellman's wide victory margin last November, and the county's heavily Democratic voter registration, Mr. Hoyer must remain the favourite. But if the race is close, then Republicans will undoubtedly claim a moral victory.

Canada compromises on energy programme

BY OUR FOREIGN STAFF

THE CANADIAN Government has made changes to its National Energy Programme designed to appease opposition from the petroleum industry and from the native peoples in northern Canada.

Mr. Marc Lalonde, Minister of Energy, announced that the Government was dropping its plan to let PetroCanada, the government-owned oil company, acquire without compensation a 25 per cent share in gas and oil discoveries on the so-called Canada lands.

This description covers the north and offshore areas where substantial reserves are thought to await discovery or development.

This so-called "carried right" was to be made retrospective, applying to prospects already explored—not only to future discoveries.

As a result of Mr. Lalonde's announcement, Petrocanada will have to pay a share towards exploration costs incurred in the past if it takes up a share in a discovery which, by the end of 1982, is deemed ot be significant.

Mr. Lalonde's statement does not modify two of the central points in the National Energy Programme.

These are the objective of majority Canadian control over the industry, and the grading of incentive payments for development on Canada Lands in such a way that the payment rises in step with the degree of Canadian ownership of the oil company concerned.

Mr. Lalonde said the Government will amend the proposed legislation to assure northern native peoples that their land claims will not be prejudiced by implementation of the measure.

Jamaica to receive £43m loans

JAMAICA is to receive loans totalling \$95m (£43m) from Mexico and the World Bank, Canute James writes from Kingston. The Mexican loan of about \$58m was formally approved when Jamaica signed an oil rebate facility which Mexico and Venezuela have offered to 10 Latin American and Caribbean countries.

The facility will guarantee Jamaica supplies of 13,000 barrels of oil a day. Equally important for the island's shaky economy, it will be allowed to keep about 30 per cent of the cost of the oil as a loan at 4 per cent for five years.

If the island uses the loan to develop energy resources, the terms will be changed to 20 years at 2 per cent.

'Cuba threat' by Haig

Mr. Alexander Haig, U.S. Secretary of State, was quoted by Time magazine yesterday as saying that the U.S. has not ruled out a blockade of Cuba "to stop its gun-running to Latin American revolutionaries," Reuter reports from New York.

Canada police report

THE CANADIAN Government will not make public the McDonald Royal Commission report on the Royal Canadian Mounted Police until passages affecting national security and international relations are deleted, Mr. Pierre Trudeau, the Prime Minister, said as he left for Algeria, Victor Mackie reports from Ottawa.

Iran panel at work

The Iran-U.S. Arbitration Panel set up to decide action on some \$4bn of Iranian assets frozen in the U.S., has begun work, an official of The Hague's Permanent Arbitration court said, AP reports from The Hague.

Wall Street's gloomy gurus fear interest rates must rise

BY DAVID LASCELLES IN NEW YORK

THE RECENT collapse of morale on Wall Street is ironical. The U.S. is in the opening, vigorous months of an Administration whose top priority is to cure the country's economic ills. Inflation is abating, oil consumption has plummeted and the economy is advancing strongly.

But influential people on Wall Street see this good news as no more than a speck of light in a landscape where he gloom is getting ever deeper. Chief among them is Dr. Henry Kaufman, the economist at Salomon Brothers, whose mournful features and gloomy analyses have become part of Wall Street lore. But many other analysts have been just as pessimistic, and together they present a formidable body of opinion, which, while not the only view in town, seems to be the dominant one.

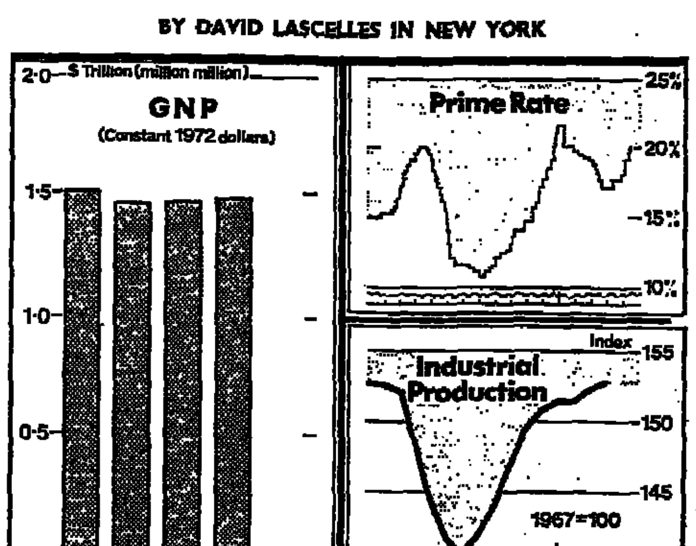
The most immediate concerns focus on the budget debate in Washington, which, they fear, will produce tax cuts which will be highly inflationary and cure little or nothing. In fact, they might even make inflation worse. But Wall Street's concern has been sharpened by the feeling that—Reagan or no Reagan — the U.S. financial system is already under such severe strain that it would take a miracle to cure it.

Most of all, Wall Street would like the Government to balance its budget, preferably next year. This goal looks hopelessly unrealistic politically, but the pessimists argue that it is essential. Next year's federal borrowing requirement will exceed \$60bn, crowding out other borrowers and keeping interest rates at record levels.

Mr. Reagan is committed to increasing defence spending by a large amount and as the UK experience has shown, will find it hard to cut outlays in other areas. Wall Street therefore, feels very uneasy about any budget that pares back Government revenues by reducing taxes.

Wall Street is also worried—and this is another striking irony—about the Reagan Administration's emphasis on monetary policy. In the long run, a pledge to keep credit under control should be reassuring for the financial market. But that is plainly not the case now, since bond yields have shot up to record levels.

The reason is that high interest rates seem to be losing their impact. Like a powerful lorry charging along the highway, the economy's brake-shoes are wearing thin, and, unless some way can be found to slow the juggernaut down, something awful could happen.



In the past 14 months, there have been no less than three sharp peaks in interest rates, but, apart from a brief stutter a year ago, most sectors of the economy have kept on as if nothing had happened. Some economists ascribe this to the underlying strength of the U.S. economy. But Wall Street's gloomy gurus fear it is because the economy itself has learned to live with high interest rates—at a damaging cost.

Increasingly, U.S. business is financing itself with short dollops of bank funds, rather than building up a strong foundation of long-term debt or equity. Banks can go on supplying the funds no matter what happens to interest rates, because of the growth of what is called "spread banking." Banks buy money in the market, add a spread to cover their costs, and re-sell it to their customers. Because they are funding themselves short, it matters little to banks whether interest rates go up or down. They bear no money risk.

A trend towards "innovation" is also softening discipline in the bond market. Bonds have been increasingly offered in flexible forms which adjust to changes in interest rates. Although familiar in the Euromarket, floating-rate bonds and other new-fangled instruments are novelties in Wall Street.

All this greatly complicates the task of the Federal Reserve in keeping credit under control. Only five years ago, the Fed could have been sure that a sharp jump in the cost of inter-bank funds would slam on the brakes. Now it cannot.

The growing impotence of the Fed has, in many analysts' view, been worsened by the attitude of the new Administration. As one commented last week: "It's ridiculous. The White House is saying to the Fed: 'You keep a firm hand on the money supply, and we'll cut taxes and increase defence spending.' It can's go on.

Although the Fed would never publicly admit that its performance is becoming less effective, Mr. Paul Volcker, the chairman, said he thinks the White House is relying too much on monetary policy to achieve its objectives, and should concentrate on squaring the budget.

The shift towards a more monetarist approach advocated by the Reagan Administration has also worried many people.

There has been a slight lifting of the gloom of Wall Street in the last few days, because of better money-supply news and an apparent willingness by the White House to go for smaller cuts in income tax, if that will help balance the budget. But this is little comfort to the pessimists, whose eyes are firmly fixed on the fundamentals. At the weekend, Dr. Kaufman was standing by his prediction that interest rates would continue to rise and would have to reach "excruciating" levels before they had an impact.

BAe sells four Hawks in £18m Indonesia deal

BY LYNTON McLAIN IN LONDON AND RICHARD COWPER IN JAKARTA

UTISH AEROSPACE and donesia signed an export conact in Jakarta yesterday for e sale of four more BAe Hawk t trainer aircraft to the donesian Air Force.

The contract is worth a total £18m including the cost of ipport equipment, such as 'aking parachutes and smokeaking equipment.

The sale is the first major ade deal between the two ountries since a textile row as settled in January. The w erupted last July after the EC, on Britain's behalf, nposed quotas on Indonesian extile exports to Britain. The w turned into a virtual trade 'ar and British companies are elieved to have lost around 150m of export orders.

Indonesia already has eight lawk trainers and, under the ew contract, the Indonesian overnment agreed to convert ptions on the possible future urchase of four more Hawks.

The latest order brings to 258 he total number of Hawk airraft ordered from British erospace worth in excess of 1bn in total.

The Royal Air Force has ordered 176 of the aircraft, of which 160 Hawks have been delivered.

The UK Government receives a levy from British Aerospace on each export sale of the Hawk, but no figure is available.

In less than three years, General Muhammad Jusuf, Indonesia's Defence Minister, has committed over $1bn, on badly needed new equipment for Indonesia's armed forces.

The Indonesian Government has undoubtedly been concerned at the threat to regional stability posed by events in Indochina and Afghanistan, but the driving force behind the programme has been the overwhelming need to turn a badly trained and poorly equipped army, navy and airforce into a modern fighting force.

In two years, the air force has acquired two squadrons of jet fighters, 12 jet trainers and a fleet of Hercules transports. The navy has received three new Corvettes built in Holland and equipped with French guided missiles.

Gulf Air agrees to buy RB-211 engines for £6m

BY MARY FRINGS IN BAHRAIN

GULF AIR has signed a $12.8m (£6.1m) financing agreement in Bahrain for the purchase of Rolls-Royce RB-211-524 engines and spares for the airline's seventh fully-owned Tristar. An additional Tristar was acquired on lease last autumn.

The funding was arranged by Midland Bank's aerospace group and was provided by Midland and Gulf International Bank with insurance cover arranged by the ECGD.

A $37m credit from the U.S. Eximbank, for the L 1011-200 Lockheed Tristar, is expected to be signed next week. The aircraft is due for delivery in November.

Mr. Ali al Malki, Gulf Air's chief executive, warned British bankers and the regional representative for Rolls-Royce that prospects for further business could be limited.

"I want you to take this message to your government: although British Airways started Gulf Air, the signs are now that Britain is going to destroy it, by allowing four or five carriers to compete on a (London-Bahrain) route which provides 45 per cent of our traffic," he said.

Our World Trade Staff writes: Exports of the Viper engine are earning £35m a year, Rolls-Royce, the manufacturer, said yesterday. Orders received for the Viper to power Italian MB 339 aircraft for Peru and Argentina bring total orders for the engine to more than 5,000 units.

The customers are 31 air forces and over 260 operators of executive jet aircraft. Vipers, which began production as Dart engines 30 years ago, power 30 different types of military aircraft, and 90 per cent of sales are for overseas purchasers.

Australia nears decision on new fighter aircraft

BY COLIN CHAPMAN IN SYDNEY

AUSTRALIA has obtained agreement from General Dynamics and McDonnell Douglas on substantial local involvement in manufacture of the F16 or F/A-18.

All but the first two of the 75 fighters, which will replace the ageing Mirage, will be assembled in Australia.

Australia has yet to decide on which fighter to buy.

In obtaining advance agreement, the Defence Department is able to counter critics who have said that Australia repeatedly loses bargaining power.

A Defence Department announcement said the Government aircraft factory in Melbourne would be the major contractor to assemble the frame of the chosen aircraft, while the Commonwealth Aircraft Corporation would do the engine assembly. Radar would go out to tender.

About 30 per cent of the total programme would be carried out in Australia, involving about 2,000 workers for up to 15 years.

The decision is a blow to British Aerospace which had hoped that the delay in a decision on the new fighter would lead to reconsideration of the European Tornado. But the Defence Department said it was adamant the decision would be between the F16 and F/A-18.

Reuter reports from Washington: McDonnell Douglas has won two contracts from the U.S. Air Force totalling $642m (£305m) to purchase F-15 aircraft and parts.

Philippines to impose standard contract terms

BY EMILIA TAGAZA IN MANILA

THE PHILIPPINES Government is to impose standard contract terms on foreign partners in all Government and private contracts worth more than $5m (£2.4m).

The standard clauses, which are likely to be implemented in the next couple of months, impose stricter conditions on foreign suppliers and contractors in the Philippines.

According to Mr. Roberto Ongpin, the Industry Minister, new contracts will require suppliers to post performance bonds issued by banks from third countries and not from suppliers' own countries.

In cases where suppliers fail to deliver contracted equipment and machinery on time, additional costs resulting from the delay will be borne solely by the supplier.

Standard contract provisions "will place us in the driver's seat and foreign companies will have to negotiate by our own standards," said Mr. Ongpin.

The idea of standard provisions was mooted last year when several local projects were seriously threatened by delays in the delivery of contracted equipment from foreign suppliers, mostly French. Differences between government officials and some French concerns have resulted in the banning of French companies from bidding for major projects.

Mitsubishi and Kobe share Jordan contract

BY RAMI G. KHOURI IN AMMAN

MITSUBISHI Corporation and Kobe Steel of Japan have won a $224m (£106m) turnkey contract to provide and construct a 2m tons per year Portland Cement plant in South Jordan.

Mitsubishi is to be the main contractor, but the production design and machinery will come from Kobe Steel.

The cement plant at Rashudiyeh, 120 miles south-west of Amman, will reach full production in three years. Its output will be directed primarily for export, initially to Saudi Arabia and Iraq.

The Mitsubishi contract also provides for supplier credits of $116m at 7.75 per cent annual interest repayable over eight years with 75 months grace period.

● Hollow Core Systems (Mid-East), of the UK, in conjunction with Saif Noman Said and Partners of Jeddah have won a contract, worth $8.75m for the manufacture of over 13,000 glass reinforced cement panels for the Islamic University in Riyadh.

Agreement soon on Panama Canal study

By William Chislett in Mexico City

The U.S., Japan and Panama are likely to agree this year to draw up a feasibility study on expanding the Panama Canal or building a new waterway.

The Panama Canal, a vital artery for trade between Pacific and Atlantic areas, is becoming congested. It cannot meet the increasing trend, brought on by rising energy costs, to transport cargo in larger ships.

The Canal, opened in 1914, and which the U.S. will hand over to Panama in the year 2000, is limited to ships up to 65,000 dwt.

Japan has become enthusiastic about the idea of building a sea level canal to replace the present waterway which has locks. It would parallel the existing canal eight miles to the west and take ships up to 250,000 dwt.

However, this project, which would be as ambitious a feat of engineering as the original canal, could cost as much as $20bn (£9.5bn).

A Panamanian engineering company has just finished a preliminary study on expanding the canal, which would involve lowering the Gatun Lake level. The cost would be about $3bn.

Lance Keyworth in Helsinki reports on plans for an agricultural fair in Moscow

Soviet bid for Western farm goods

A FINNISH marketing company Taiga-Tuotteet Oy (Tundra Products) is to organise an exhibition-cum-symposium in Moscow later this year aimed at attracting Western companies to sell consumer and production goods to private small farms in the Soviet Union.

The exhibition is to be called the Design for Country Living and, as an organisation brochure points out: "will be an event seldom available to foreign companies in the Soviet Union."

It is to be held November 17-December 22 at Moscow's Park of National Economic Achievements.

The *raison d'etre* for the exhibition is the desire of the Russian Government to inject western farming technology into the extensive "non-chernozem" farm belts that swing in a long arc from Western Russia, ot the south and up the east coast to Vladivostok.

A characteristic of the belt is its vast number of private small-holdings—about 25m in all, according to Soviet authorities—being run by workers of collective and state farms.

These farms range in size from just over half an acre to 1¼ acres and supply a considerable amount of the nation's food supply.

It is estimated they provide 60 per cent of all potatoes grown in the Soviet Union and one-third of the country's vegetables, milk and eggs. Nevertheless, the non-chernozem farms are low-yield producers being situated on poor soil and it is this that the Soviet Government hopes to improve.

President Leonid Brezhnev stated at the 26th Party Congress recently that the development of the non-Chernozem belt "is so complex and urgent that it should be tackled jointly by all the republics and within the shortest possible span of time."

The list of requirements for the Design for Country Living Project is comprehensive, ranging from energy and sanitary systems to dairy processing equipment, machine tools and domestic appliances.

The Soviet authorities say that "considerable sums" of money have been made available for purchases for these farms from the West.

Mr. Markku Berg, project leader and managing director of Taiga-Tuotteet Oy, says that about 100 companies have already been contacted in West Germany, France, the UK, Canada, the U.S. and all the Scandinavian countries.

The closing date for applications for participation in the exhibition and/or symposium is June 30.

The Soviet body responsible for the project is GKNT, the USSR State Committee for Science and Technology which comes directly under the Soviet Council of Ministers.

VNIITE, the Russian Research Institute of Industrial Design, is responsible for the practical arrangement of the exhibition.

President Brezhnev . . . backs trade move

Brazil hopes 'red package' will boost trade with Russia

BY RIK TURNER IN SAO PAULO

THE Brazilian Planning Minister, Sr. Antonio Delfim Netto, is to visit Moscow from July 7-10 where he will sign the first of a number of contracts aimed at boosting bilateral trade.

A key element in the so-called "red package" accord will be an offer by Sr. Delfim of a contract to the Russians for the supply of 20 per cent of the equipment for the Ilha Grande hydroelectric dam to be built on the Parana River.

Senior foreign ministry officials say the offer should offset Soviet resistance to importing Brazilian manufactured goods.

The news of Sr. Delfim's visit follows the return to Brazil of a 60-member mission to Moscow earlier this month to lay the groundwork for a $5-$6bn bilateral deal.

This included a $2bn Soviet supplier's credit for the purchase and installation of equipment for refineries for Brazil's alternative fuel programme.

The Russians are also keen to provide the technology for fuel production from peat in the state of Sao Paulo and oil shale in the state of Parana.

The $2bn credit on offer is for the Brazilian Government's methanol programme, using timber as the raw material. In 1980 the government created a company in association with private Brazilian capital called Coalbra—Coque e Alcool de Madeira do Brazil.

This company is developing the methanol programme, and since February a group of Soviet technicians has been working with Coalbra preparing the way for the Soviet aid.

As well as alternative fuels, the Soviet Union is also negotiating a deal with the Sao Paulo state oil exploration company, Paulipetro, for the supply of technology in exploration.

The Soviet Unionists is also expected to offer long-term contracts for the purchase of Brazilian exports such as soya, coffee, cocoa, sugar, vegetable oils, iron ore and bauxite. Soya has already been exported by Brazil to the USSR.

Lloyds Bank and Amex in travellers cheque venture

BY ALAN FRIEDMAN

LLOYDS BANK and American Express yesterday detailed plans to form a joint venture company in the UK which will issue a new sterling traveller's cheque.

Both companies will convert their existing sterling cheque operations into the new venture. The first cheques will be offered in spring 1982. Other British banks have been invited to participate in the new company, but no agreement has yet been reached.

Mr. John Maslanka, a senior vice-president of American Express, said the cheque venture was designed to expand business in the UK. It was similar to the recently launched Societé Francaise du Cheque de Voyage, in France, a company consisting of several leading banks and American Express which issues French franc travellers' cheques.

Mr. Maslanka cited the French venture, and another recent agreement on travellers' cheques with German savings banks, as examples of co-operative arrangements which American Express is pursuing around the world.

He would not comment on the size of the American Express market share in sterling cheques. "Market share is unimportant. I haven't a clue what ours is and I don't care." The key factor was profitability, not market share.

A spokesman for Lloyds Bank estimated the combined sterling cheque market share of the two companies at 20 per cent. He said the two groups would seek to increase UK market share from a starting point around this level. Lloyds Bank estimated the total sterling travellers' cheque market at something above £2bn.

Once the new joint company has been formed and the cheques issued, Lloyds Bank will suspend its sterling cheques in favour of the new variety.

Judge rules on ship's 'average damage'

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A COMMERCIAL COURT judge ruled yesterday on the correct meaning of a term widely used in ship sale agreements that has been troubling shipping circles in the City of London.

Mr. Justice Robert Goff was asked to interpret a contract requirement that a vessel was to be "delivered free of average damage affecting class."

The matter had been referred to the court by three City arbitrators on a dispute between the sellers and buyers of a ship.

They said it had long been felt in the City that the term needed to be looked at by the court. It formed part of the vast majority of ship sale contracts, and had over the years been differently interpreted by different people.

The arbitrators had decided that the only "practical/commercial" meaning of the term was that the vessel on delivery, was to be free from any damage which affected class.

Parties using the term intended to warrant that the vessel matched up, in a physical sense, to her class documents at the time of delivery.

The judge rejected that interpretation. He held that the term meant damage occasioned by a peril ordinarily covered by insurance, as opposed to defects arising from wear-and-tear and general old age.

It did not mean "any damage," but damage of a certain kind, and damage did not ordinarily include deterioration.

Had it been intended that a seller should remain responsible for any damage affecting class after delivery, that could have been achieved in many other ways, the judge said.

Conspiracy charges denied by bank

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

LLOYDS BANK denied in the High Court yesterday that it had played any part in an alleged conspiracy against Midland Rollmakers and three associated companies.

The bank asked the court to strike out the claim against itself and one of its managers.

Mr. Peter Millett QC, for the bank, said the claim was "a try on" and should be dismissed.

The bank's application was a preliminary to a pending action in which Midland Rollmakers, Johnson and Firth Brown, Firth Brown, and Gibson Engineering Company, allege that some of their former employees — including Midland's former managing director, Mr. David Collins — conspired to set up a rival business while still working for the companies.

Substantial damages are claimed against the 23 individuals and companies sued.

Mr. Millett said that allegations against the 21 other defendants, or some of them, included conspiracy, breach of contract, fraudulent breach of trust, and misappropriation of the plaintiffs' secret processes.

The bank and its manager, Mr. Sydney Shore, were alleged to have knowingly assisted, and been party to, the conspiracy.

Yet, said Mr. Millett, it was not alleged that the bank did anything more than provide normal banking facilities

Thatcher urges more investment in robotics

By Hazel Duffy

THE PRIME MINISTER warned British industry yesterday that it must invest in the latest technology, otherwise it will not be able to compete internationally.

Mrs. Margaret Thatcher, who was opening the first British exhibition and conference on automated manufacturing being held this week at Brighton, said she believed the development of automated manufacturing and robotics would open up new areas of employment, as did the development of the motor car.

"There is a threat posed by the development of robots, and in a way it is a threat to employment. It is the threat of failure to compete—a failure which will face those who do not grasp the opportunities offered by robotics."

Unemployment

Comparing the penetration of robots in other countries and the level of unemployment in those countries, she said Japan has nearly 6,000 robots and 2.4 per cent unemployment; West Germany 1,250 and 4 per cent unemployment; and Sweden 1,200 and 2.5 per cent unemployment.

"We have only 370 robots. I do not need to tell you what the level of unemployment is here," she said.

"People will often object to new technology yet they will use their pay packets to buy goods from other countries which are using this technology."

Sir Terence Beckett, director-general of the Confederation of British Industry, praised the Government's efforts in encouraging applications by industry of the micro-processor and robots. But he also called for a "substantial increase" by the Government in the financial aid that it devotes to helping industry's spending on research and development; and for banks and financial institutions to make more risk capital available in these areas.

City uneasy about possible loan defaults by Scottish councils

BY ROBIN PAULEY

CITY institutions are becoming increasingly nervous about the possibility that a British local authority may default for the first time on loan repayments as a result of the latest local government legislation for Scotland.

The Local Government (miscellaneous provisions) (Scotland) Bill, which has completed its committee stage in the House of Lords, will give the Secretary of State for Scotland much stronger powers over council spending than those enjoyed by ministers south of the border.

The Act would give the Scottish Secretary power to order any council to reduce its rate if he thought it was excessive. If the council refused, he could immediately cut the government grant to that authority by the equivalent amount which the "excess" rate would bring in.

This would leave a hole in the council's expected revenue for the year. English and Welsh authorities would usually plug the hole with a supplementary rate. In Scotland, unlike in the south, the law prohibits the levying of supplementary rates, and short-term borrowing on the revenue account is only allowable against expected income.

The matter will come to a head in Lothian, Scotland's second largest regional council, which has a Labour administration wih a majority of one.

It has levied a rate increase of 50 per cent for 1981-82 and Mr. George Younger, the Scottish Secretary, regards this as highly excessive. If there is no change, he sees Lothian as his first target.

Its grant payments would stop when a predetermined amount had been paid. Lothian expects this to be in about the middle of January.

As soon as it defaulted, a receiver would have o be installed to manage the affairs. Banks would receive their debt servicing payments late, but with interest.

Lothian has total gross loan debt (March 31, 1980) of £338.2m.

Home insulation work offer to jobless

BY MAURICE SAMUELSON

UNEMPLOYED PEOPLE will be offered work on insulating and draft proofing homes of poor and elderly families under a new scheme which could provide up to 1,000 jobs by the end of the year.

The scheme, initiated by the National Council for Voluntary Organisations, has the blessing of the Departments of Energy, the Department of Health and Social Security, and the Manpower Services Commission.

Entitled "Neighbourhood Energy Action," it is modelled on a project at Newcastle-upon-Tyne, which employs 14 formerly jobless people. In Newcastle, the team is expected to insulate or draft proof 1,000 homes in the inner city this year.

The council hopes to encourage about 60 such local projects in various parts of the country by the end of the year, capable of treating up to 60,000 homes a year.

The scheme falls within the Manpower Service Commission's Community Enterprise Project, which funds 25,000 jobs for at least three years. They are termed temporary jobs because an individual can be employed in them for only a year.

The scheme will start by establishing workshops in various parts of the country for training the local insulation teams. Initial funding has come from the Government and charitable foundations.

André Simon collection fetches £69,887

SALEROOM

BY ANTHONY THORNCROFT

SOTHEBY'S SOLD yesterday the collection of books and manuscripts about wine and food acquired by the late André Simon. It made £69,887 with a top price of £12,000 paid for a late 15th century French manuscript by Petrus de Crescentiis.

A rare Renaissance cook book of 1549 by Messi Sbugo realised £6,000 and a single leaf from the Gutenberg Bible, printed in 1459, sold for £4,000.

At a Sotheby's Belgravia Japanese sale a set of seven maruki ivory geese fetched £3,800. In the collection of antiquities of the Most Reverend Shahe Ajamian, of Jerusalem, a dark, greenish-blue glass alabastron of around 300 BC went for £3,200.

In New York over the weekend, in a successful auction of French furniture, a Louis XV ormulo mounted kingwood parquetry bureau plat, signed J. M. Chevallier, was bought for £86,538.

Christie's sale of silver yesterday totalled £166,815 with a top price of £20,000 paid by Levene, the London dealer, for a set of four George III large candlesticks by Paul Storr. They are engraved with the MacNaughton arms. Koopman acquired a set ofthree Victorian candelabra by Barnard and Co., also with the MacNaughton arms, for £5,200.

Talbot wins De Lorean fleet order

TALBOT is to supply a fleet of 120 cars, worth over £500,000 to De Lorean Government-backed Belfast sports-car concern.

This is the first substantial fleet contract to be signed by De Lorean, which now has 1,500 workers and whose sports car is about to go on sale in the U.S.

Talbot said yesterday that the contract was secured in the face of "strong competition." De Lorean numbers several former Chrysler men among its senior executives.

Joseph's U.S. trip

SIR KEITH JOSEPH, the Industry Secretary, is to tour the U.S. for 10 days from next Tuesday encouraging American companies to invest in Britain.

He will address meetings of financiers and industrialists in New York, Boston, Cleveland, Chicago and San Francisco, concentrating especially on high technology companies. In California, Sir Keith will meet Mr. Jack Melchor, a venture capitalist who is linked up with the National Enterprise Board.

Fuel for reactor

THE National Nuclear Corporation yesterday began to load fuel into a new nuclear reactor — Britain's fifth advanced gas-cooled reactor at Hartlepool.

Nuclear inspectors approved the loading on Saturday and the Hartlepool AGR is expected to produce its first power for the national grid before the end of the year.

It was designed as a 1,250 MW power station but has been derated to produce about 1,000 MW to minimise corrosion of susceptible steels.

Stocks index

THE Inland Revenue announces that the definitive value of the "all stocks" index for February 1981 is 199.8. The corresponding figure for February 1980 was 188.4, giving a percentage rise of 6.06 per cent over the year.

The provisional value for April 1981 is 202.8, giving a percentage increase of 6.52 on the April 1980 figure of 190.4. This provisional figure is subject to revision

Controversy grows as the date draws nearer for Defence Secretary John Nott's decisions on defence

Minister faces painful choice on military needs

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

NO-ONE can argue that in the row about cuts in defence spending they were not warned.

The Defence White Paper, issued more than a month ago, made it plain that not only was Mr. John Nott, Defence Secretary, about to survey all defence spending, with a view to getting greater value for money, but that there would be some painful decisions.

Mr. Nott said: "We must re-establish in the long-term programme the right balance between the inevitable resource constraints and our necessary defence requirements."

He appears, from weekend reports, to be doing just that. Whether he really intends to "gut" the Navy and run-down other forces, such as Rhine Army, remains to be seen, when the results of the review are finally announced, before the Parliamentary summer recess.

He has had a painful task, and he is going to upset someone, no matter what he does.

In the current financial year, the UK is spending £5.35bn on defence procurement, or about 44 per cent of the overall defence budget. When associated pesronnel and other costs of £498m are added, the estimate for total procurement expenditure reaches more than £5.85bn, or 48 per cent of the total defence budget.

Of this figure, about 71 per cent, or nearly £4.17bn, is earmarked for production equipment, in turn about £2.54bn is for new equipment and £1.63bn is for spares.

The defence procurement budget is also divided into: 32 per cent for sea equipment (including ships) amounting to about £1.34bn; £820m, or 20 per cent for land equipment (such as tanks and guns); 40 per cent, or £1.69bn, for air equipment (aircraft, engines and missiles); and 8 per cent, or £316m, for general support.

In recent years, about 75 per cent of all equipment spending has gone on national contracts placed with British industry. The UK's share of international collaborative programmes has taken another 15 per cent. The remaining 10 per cent is spent on contracts placed overseas.

Spending on defence equipment is estimated to support about 220,000 jobs directly in the defence industries, and about the same number indirectly in industry.

The Defence White Paper argued that "experience has shown that, in present economic circumstances, we have too full an equipment programme for the financial resources available for defence."

The White Paper warned: "The demands of meeting an ever-increasing threat will pull towards solutions which are sophisticated and therefore expensive.

"On the other hand, the limitations of money must pull towards simpler and cheaper solutions if the necessary range of equipments is still to be provided.

"No-one could afford to develop the best possible air-to-air missile if it meant that the aircraft to carry it fell short of the minimum requirement. By the same token there would be no point in developing a superb aircraft at a cost which left no funds for equipping it with missiles.

"The way to overcome such contradictions lies, and has always lain, in a thorough search for value for money;

"The specification of an equipment may also be influenced by considerations of overseas sales potential or the opportunity for international collaboration."

Apart from spending on the new Trident missile system to replace Polaris — a decision already taken—other big programmes or decisions being considered include:

Possible development of the Advanced AV-8B Harrier with the U.S., rather than developing an all-UK Harrier replacement;

Purchase of a new heavyweight torpedo, either from Marconi Space and Defence Systems in the UK, or from the Ocean Systems Division of Gould, Inc., of the U.S.;

The need to develop a new light combat aircraft to replace the Jaguar fighter in the mid to late 1980s;

A Dutch ship-borne missile tracker radar for the Sea Eagle missile, in place of a UK system from Marconi Radar Systems;

Continued development of the new Challenger tank for the Army;

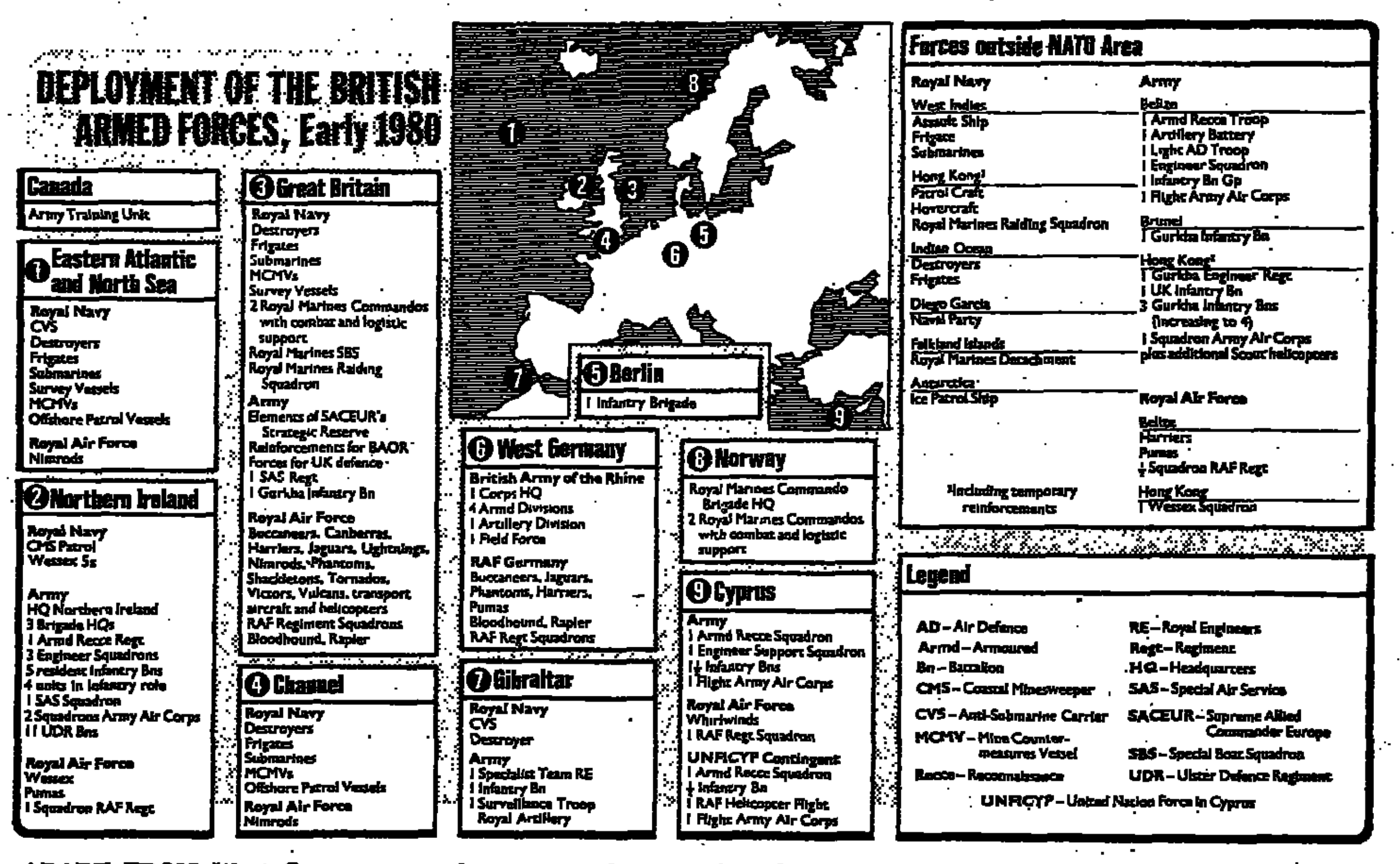
How many new nuclear-powered Fleet hunter-killer anti-submarine warfare submarines to be built through the 1980s;

How many new frigates and/on destroyers the UK can afford to build;

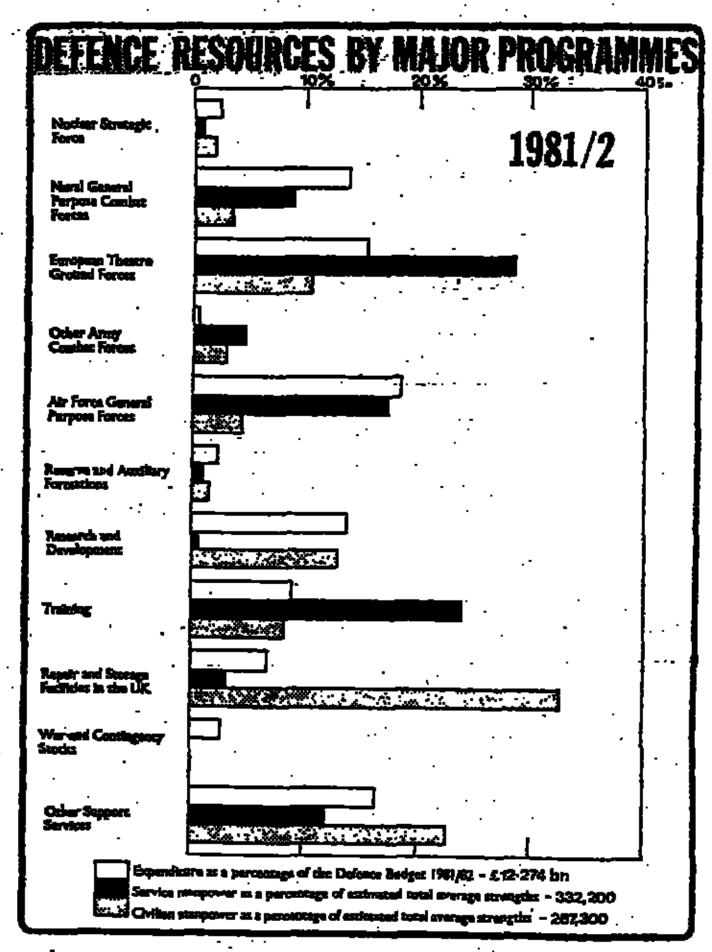
How many of the new class of diesel powered patrol submarines should be ordered;

Whether any of the Royal Ordnance Factories can be hived off to private industry;

Whether the UK can afford, even in consort with Italy, to develop the EH-101 anti-submarine warfare helicopter replacement of the Sea King.



APART FROM West Germany, service personnel are widely spread throughout the world. The ships of the Royal Navy patrol as far south as Antartica. The map shows the main deployments.



Cancellation would hit industry

The cancellation of a major defence programme has a ricochet effect throughout industry on scores of companies.

UK based contractors paid more than £5m by MoD in 1979/80 (in order of size of total orders):—

Over £100m

British Aerospace Aircraft Group, British Aerospace Dynamics Group, British Shipbuilders, The General Electric Co, The Plessey Co, Rolls-Royce, Royal Ordnance Factories, Westland Aircraft.

£50m-£100m

BL, EMI, Ferranti, Hunting Associated Industries.

£25m-£50m

Dowty Group, Lucas Industries, Racal Electronics, Short Bros.

£10m-£25m

British Electric Traction Co, Decca, Vauxhall Motors, Gresham Lion, Hawker Siddeley Group, Standard Telephones and Cables, Marshall of Cambridge (Engineering), Pilkington Bros, Cossor Electronics, The Singer Co (UK), Smiths Industries, Thorn Electrical Industries, UK Atomic Energy Authority, Vickers.

£5m-£10m

David Brown Holdings, BTR, Cable and Wireless, Chloride Group, Courtaulds, Dickinson Robinson Group, Dunlop Holdings,

Regular armed forces stand at 332,200

BY MICHAEL DONNE

THE ACTIVE strength of the regular forces on April 1 was 332,200 men and women, of whom 66,300 were in the Royal Navy, 7,900 in the Royal Marines, 164,600 in the Army, and 93,500 in the Royal Air Force.

These are supported by a total of 267,300 civilian staff, of whom 125,500 are non-industrial, and 141,800 industrial.

The Fleet comprises 157 ships that are operational, preparing for service, or engaged in trials and training.

These include three Polaris missile submarines; eight Fleet submarines (nuclear-powered), 10 Oberon class conventionally powered submarines and one Porpoise class; one anti-submarine warfare carrier (Invincible); one ASW/Commando carrier (Hermes); one assault ship; 14 guided missile destroyers; 36 general purpose frigates; one anti-submarine frigate; nine offshore patrol vessels; 33 coastal minesweepers; 15 various patrol craft (including one Jet foil); three support ships (including one hovercraft); one Royal Yacht/Hospital ship (Britannia); nine training ships; one ice patrol ship; 12 survey ships; and one trials ship.

In addition, there are 25 vessels of various kinds undergoing long refit, conversion, or on stand-by, including one Polaris submarine (Revenge), and four Fleet submarines, three Oberon class submarines and nine frigates.

The Royal Fleet Auxiliary Service has 20 vessels in active service, including nine fleet tankers, four support tankers and three fleet replenishment ships; with another three ships undergoing refit.

There are 17 squadrons in the Naval air arm—including three squadrons of Sea Harrier vertical take-off aircraft—and the rest helicopters, including five Sea King anti-submarine warfare squadrons, and various Lynx and Wessex squadrons, and one Sea King assault squadron. Additionally there are 40 flights of helicopters aboard the frigates, and several flights aboard the County class destroyers.

The active strength of the Regular Army is mostly deployed with the British Army of the Rhine.

This includes nine armoured regiments, four armoured reconnaissance regiments; 18 regiments of artillery; six regiments of engineers; 15 infantary battalions and five Army Air Corps regiments.

In the UK, there are two armoured regiments, four armoured reconnaissance regiments, five field artillery regiments and one guided weapons regiment, four engineer regiments and 31 infantry battalions (including one Gurkha battalion), one Special Air Service regiment and one Army Air Corps regiment.

The Territorial Army comprises two armoured reconnaissance regiments, two field artillery regiments, three air defence regiments, seven engineer regiments and 38 battalions of infantry, with two Special Air Service regiments and one regiment of the Honourable Artillery Company.

The strength of the RAF comprises 52 active squadrons of aircraft, six squadrons of the RAF Regiment for Rapier missiles, five squadrons of the RAF Regiment for Ground Defence, and three squadrons of the Royal Auxiliary Air Force used for Ground Defence.

Naval cuts would threaten British Shipbuilders jobs

BY WILLIAM HALL

ANY reduction in the role of the Royal Navy would have serious implications for several British Shipbuilders yards in areas of high unemployment on the Clyde, the Tyne and Merseyside. The state-owned group depends heavily on naval orders.

More than 30,000 of the 70,000 workforce are engaged on naval work and the value of the naval order book (£1.9bn) is nearly four times as great as merchant orders. Since nationalisation the growth of warship orders has offset the decline in demand for merchant ships to some extent.

However, gaps in naval orders are appearing and British Shipbuilders could be laying off several thousand workers in the naval and mixed merchant/naval yards if new orders are not placed shortly.

Vickers at Barrow is Britain's biggest warship yard employing more than 8,000 and its future is assured. Four nuclear submarines are under construction and the Government is committed to building the Trident submarines there. However, the yard could run short of work before the Trident programme starts.

At Vosper Thorneycroft on the Solent, three Type 42 guided missile destroyers and five plastic mine countermeasure vessels, plus several fast patrol craft are being built.

Although gaps are appearing in the workload, Vosper has been relatively successful in winning export orders, which account for more than half its work. This should cushion any reduction in naval orders.

Yarrow on Clydeside is the third main warship builder and it is the most vulnerable. Unlike Vosper, it has had little success in export markets and there is uncertainty about the future of the advanced Type 22 frigate, its main product.

Four are on order but at £120m each there is doubt about whether the Government can afford to build more. It is the most likely candidate if a major warship yard is to close.

The two most exposed of the mixed naval/merchant shipyards are Cammell Laird on Merseyside and Scott Lithgow on Clydeside.

Neither is regarded by British Shipbuilders as a core merchant yard and their future hinges on naval work at Cammell and naval/offshore work at Scott Lithgow. The latter has not been very successful in winning offshore orders and its only naval work is a £70m seabed operations vessel.

Meanwhile, Cammell Laird, which is building two Type 42 frigates, is running desperately short of work.

Swan Hunter on the Tyne is building two aircraft carriers but unlike the other two mixed yards, it has some merchant ship orders.

UK NEWS

Building industry upturn 'unlikely before 1983'

BY ANDREW TAYLOR

A RECOVERY in UK construction output is unlikely to occur until 1983, according to the latest report by the joint forecasting committee of the building and civil engineering economic development committees.

The report makes gloomy reading for the hard-pressed construction sector. It suggests that there will be little respite for most areas of construction for at least 12 months. Construction output is forecast to fall by 7 per cent this year, followed by a further 1 per cent decline in 1982.

The joint forecasting committee says that the start of a "muted recovery," almost entirely led by an increase in private housebuilding, is unlikely to take place until later next year. A general improvement in construction output is likely to be delayed until 1983—when total output including repair and maintenance work is forecast to rise by 4 per cent.

"The main depressing influence on the forecast is the continuing fall predicted in public sector housebuilding, which in 1982 may amount to less than 30 per cent of the peak of the 1970s," says the report.

It also anticipates further falls in public sector non-housing output, which the forecasting committee expects to decline by 6 per cent in 1981 and by 3 per cent in 1982—with output remaining unchanged (at 1982 levels) in 1983.

The committee said that the forecast for public sector non-housing output is "based on the broad assumption that there will be continuing and severe constraints on capital spending during the next two years."

Even if this policy was to change, says the committee, the long lead times in construction projects of this nature are such "as to rule out any major impact on output until beyond the period covered by the forecasts."

The committee says that it expects private housebuilding to lead a construction industry recovery starting later next year. But it adds: "No improvement in the private housing sector is forseen in the current year, but a marked recovery, albeit from a very depressed level, is expected in the following two years which is put at 11 per cent and 13 per cent respectively."

Nevertheless the report forecasts that the number of new homes expected to be started by private housebuilders in 1981 will increase from 98,000 to 120,000, although it expects the number of homes completed will fall from 126,000 to 120,000.

The committee also forecasts that private industrial output is expected to decline further in 1981 and 1982—by 14 per cent and 4 per cent respectively. Private industrial output, however, is expected to recover by 5 per cent in 1983.

The outlook appears less bleak for private commercial development. Output is expected to rise by 2 per cent this year, followed by a 1 per cent decline in 1982 with output expected to rise again, by 2 per cent, in 1983.

The relatively brighter prospects for commercial building reflects the uncertainty surrounding prospects for industrial investment given the large number of factory closures in the past 12 months and the high level of industrial development in the past few years.

The forecasting committee also expects repair and maintenance work to account for a growing proportion of construction output in the 1980s, continuing a trend which began in the early 1970s.

"By 1983 the repair and maintenance sector is expected to account for close to 40 per cent of the industry's output. The larger share of repair and maintenance in a total volume which has fallen quite considerably in the past few years is a feature typical of a mature economy."

The committee said the growth of repair and maintenance, particularly in the public sector, arises "largely as a result of the sharp fall in public-sector investment witnessed in recent years. Between 1976 and 1980 output of public-sector new work fell by 30 per cent, and a further severe fall of around 25 per cent is foreseen between 1980 and 1983."

The committee expects repair maintenance output to fall by 5 per cent in 1981, but to rise by 1 per cent in 1982 and 4 per cent in 1983.

Cycle group to produce invalid car

By John Griffiths

ELSWICK HOPPER, the bicycle and engineering company, is to start making invalid cars. They are designed to allow a chairbound invalid to enter, drive and leave the vehicle without leaving a wheelchair.

The invalid vehicle, named the Elswick Envoy, has a wedge-shaped glass-fibre body and uses BL Mini components. It can accommodate two passengers.

It will be built at the Alcester, Warwickshire, premises of Turner International (Engineering), a group subsidiary which makes agricultural and industrial equipment.

Initial production is planned of six vehicles a month starting in October and rising to 30 a month by the end of 1982. Mr. Tony Turner, Elswick Hopper's joint managing director, says the company could be making 2,000 invalid cars a year by the mid-1980s, half of them being sold for export.

The venture is being launched during the International Year of the Disabled. However, the car, designed by GKN Sankey from whom Elswick has acquired the rights, is likely to be within reach of only the more affluent. Its retail price is expected to be £5,500.

In full production, the vehicle would add about £11m at current prices, to the group's £23m turnover.

COMPETITION ACT

Public sector bodies under scrutiny

BY DAVID CHURCHILL

The third report of the Monopolies Commission on the Electricity Generating Board is coming out this week. But the going is difficult and the procedure may now be too cumbersome.

THE GOVERNMENT is tomorrow expected to publish the results of the Monopolies and Mergers Commission's nine-month investigation into the Central Electricity Generating Board.

The report is one of the most comprehensive and lengthy reports to be produced by the commission in such a comparatively short time. It will also be the third such investigation into a public sector body under the Government's tougher competition policy.

The fourth report—into the Severn-Trent Water Authority—is due to be published early next month.

The first two reports by the commission—on the London postal services and British Rail's south-eastern commuter services—showed a new appetite by the commission for getting to grips with the problems of public sector costs and efficiency.

This is consistent with the present Government's aim of keeping a closer scrutiny on the workings of nationalised industries, especially those providing essential public services which the consumer has to use. The Competition Act, which came into force in August last year, including special clauses to enable the costs and efficiency of nationalised industries to be investigated by the Monopolies Commission in speedier inquiries than those it normally carries out into private-sector monopolies.

The commission was forced to carry out its first nationalised industry investigation into the London postal services—under little-used powers under the 1973 Fair Trading Act. This was because of administrative problems delaying the introduction of the Competition Act last year. But the subsequent three investigations have all been carried out under the new Act's more appropriate terms of reference.

When the Severn-Trent report is published next month, the four reports will together form the nucleus of a detailed analysis of the workings of important public services.

Although the results of the first two investigations have not resulted in any major changes in the workings of either the postal or rail services, a number of minor changes are understood to have resulted from the commission's findings and further changes may be on the way since discussion about the reports is continuing.

However, while the Government appears to be having some success with its public sector competition policy, its private sector policy as laid down by the new Competition Act has run into considerable difficulties.

Under the Competition Act, which became law last summer, the Office of Fair Trading has the power to investigate any alleged anti-competitive practice being carried out by a single company. The legislation deliberately keeps the definition of anti-competitive behaviour vague, so as to allow the OFT considerable scope to launch investigations into companies which it believes are unfairly distorting the market.

The Office of Fair Trading was envisaged as carrying out a short investigation of whether anti-competitive practices existed and should be referred to the Monopolies Commission for a fuller six-month probe so as to determine the public interest.

It was also considered likely that the OFT would be able to get through some 12 to 16 investigations in a full year.

In practice, however, the Office of Fair Trading has found the going far more difficult. The first investigation announced last August, into TI Raleigh Industries' refusal to supply certain cut-price retailers with its bicycles took over six months to complete and was only finally referred to the Monopolies Commission late last month. The commission is likely to publish its report in November—some 15 months after the investigation first started.

At the same time as the OFT started investigating Raleigh, it announced a probe into a small engineering company Petter Refrigeration, a subsidiary of Hawker Siddeley.

That investigation is still not complete after nine months, partly, it is understood, because of delays experienced by the OFT in obtaining information about the alleged anti-competitive practice involved.

The third competition investigation was announced last December, into the Sanderson wall-coverings company and, five months later, the OFT's preliminary report has not yet appeared. The fourth investigation, into Sheffield newspapers, was announced in March.

The problem of speeding up Office of Fair Trading investigation procedures may be due to the fact that they are new and need time to become established. But, as the comprehensive report into Raleigh showed, it may be carrying out too deep an investigation when similar work will almost certainly have to be duplicated by the commission in its six-month probe.

Apart from the length of its investigations, the OFT has also had difficulty in finding new anti-competitive cases to investigate. This may be because the new law is encouraging companies to abandon anti-competitive behaviour because of fears of an OFT probe. However the relatively small number of investigations also raises questions about the effectiveness of OFT preliminary investigation procedures.

To its credit, the OFT has managed to persuade a number of companies to change practices. On two occasions, the OFT has publicised these changes of heart. ICI changed its contract terms for supplying soda ash. And the BBC and ITV companies agreed to let free-sheets carry television programme details.

Bulldozer man fined for demolishing hall

THE MISTAKEN demolition of an 18th century country house instead of a number of outbuildings was condemned as an act of vandalism at Warwick Crown Court yesterday.

Bulldozer driver Mr. Patrick Keenan and the firm of which he is a director, Doyle Contractors (Birmingham), admitted the unauthorised demolition of Monkspath Hall in Shirley, Birmingham, a Grade 2 listed building owned by Solihull Borough Council. The council planned to renovate it.

Judge Michael Harrison-Hall fined Mr. Keenan £1,500, Doyle Contractors £2,000 and ordered the company to pay all prosecution costs.

Doyle won a contract to demolish milking sheds and outbuildings on the opposite side of the road, Mr. Harry Walton, QC told the court.

But Mr. Keenan arrived on the site and began demolishing the Hall rather than the other buildings.

A local resident told him it was a listed building. But by the time he was stopped Mr. Keenan had "almost totally demolished the building," said Mr. Walton.

"Whatever the situation when the work began, when Mr. Keenan was aware there was concern, to continue after that was an act of vandalism."

Mr. Peter Weitzman, defending, told the court: It was the stupidity of Keenan which led to this mistake."

Mr. Keenan had been given a plan, on which the buildings to be demolished were clearly marked, but when he arrived the bulldozer was parked on the hall side of the road.

"He jumped quite wrongly to the conclusion that the buildings to be demolished were those on the side of the road where the machine was parked. The hall looked like the type of building he might be asked to demolish and he foolishly jumped to the conclusion that it was one of the buildings to be demolished."

The judge told Mr. Keenan: "You come on site and let yourself loose with a bulldozer without looking at the plan or reading your instructions. Through your stupidity a perfectly good building has been unnecessarily pulled down."

Spar members urged to open for longer hours

BY GARETH GRIFFITHS

SPAR, THE voluntary grocery group, based on a common wholesaling operation, has urged its 3,500 members to concentrate on offering customers more convenient opening hours and to narrow the choice of goods to confectionery, alcoholic drinks, frozen foods and soft drinks.

Mr. John Irish, Spar's managing director, said yesterday customers wanted longer hours and retailers should recognise the trend and react to it. He found it encouraging that a third of Spar stores now opened on Sundays.

Spar accounts for about 3 per cent of the UK grocery market. It recently flew 600 members to Florida for a convention which examined the role of convenience in U.S. retailing. Spar believes many of the trends in the U.S. will be realised in the UK during the next couple of years, particularly the emphasis on convenience shopping.

Mr. Irish said the small corner shop provided convenience for its customers. He commended the business methods adopted by Asian shopkeepers in the major conurbations, who provided services people wanted at times when they were wanted. He said that within five years Asians would command half the independent trade in the UK.

Spar has launched a campaign for some of its stores with the title "Eight until Late." But the main lesson it feels its retailers could learn from small corner shops is to concentrate on a narrower range of convenience goods rather than supply the same choice of goods as supermarkets which have much greater floor space.

Poisoned coffee fears discounted

SAFEWAY, the supermarket chain, said yesterday there was no cause for concern about "foreign matter" in a jar of coffee.

The jar of coffee was bought in Orpington, Kent, and Safeway and General Foods said in a joint statement that the complaint "was most likely the result of a faulty seal.

The company received a £500,000 extortion demand recently when three jars of food were found contaminated

PUBLIC NOTICES

GREATER LONDON BILLS
£35m Bills issued 14.5.81 maturing 13.8.81 @ 11.3510%. Total applications £145.25m. Bills outstanding £60m.

UK NEWS—LABOUR

Nurses may be forced to shift anti-strike policy

BY PAULINE CLARK, LABOUR STAFF

NURSES MAY be forced to give up their anti-strike policy in the face of falling recruitment into the profession and declining standards of care as a result of low pay, leaders of the country's traditionally most moderate nurses' trade union warned yesterday.

Mrs. Marian Morgan, president of the Royal College of Nursing, said in her opening address to the annual congress in Bournemouth that a declining financial position presented an "inevitable threat" to the profession's ability to care.

The college's traditional policy against industrial action, upheld in a ballot last summer, ensured that nurses held a unique place in the public's estimation, but Mrs. Morgan warned that it may not be possible to maintain that position or preserve that principle.

The RCN, which has 140,000 members, is confronted with a government policy to hold down wage increases in the health service to 6 per cent this year.

Unions representing 460,000 nurses and midwives have already rejected a 6 per cent offer in response to a 15 per cent claim. They say the claim will merely ensure that the imbalance between nurses' pay and comparable workers is not further eroded.

Mrs. Morgan told delegates: "Let me make it clear that both as an ethical principle and a bargaining tool, I believe that our traditional policy against industrial action in pursuit of our own ends is the right one.

"It may not be possible, however, for nurses to maintain that place or to preserve that principle in the face of the inevitable threat to our ability to care in a manner acceptable to us as nurses, if the recruitment and retention of nurses is adversely affected by their declining relative financial position."

Mrs. Morgan said that if nurses had not taken a "responsible and realistic" attitude on pay in the face of the recession, they would have sought a 43 per cent increase.

Unlike other groups, nurses could not trade jobs for more pay and nor could they top up their wages through productivity deals, she added.

'No' to Civil Service compromise

BY PHILIP BASSETT, LABOUR STAFF

COMPROMISE in the Civil Service pay dispute, now in its 11th week, was ruled out yesterday by Mr. William McCall, general secretary of the Institution of Professional Civil Servants. He is regarded as a leader among the moderates.

At the union's conference in Harrogate, Mr. McCall repeated the unions' minimum terms for a settlement—unfettered arbitration and independent fact-finding of outside pay.

He said: "These elements are fundamental. If we are to make any progress in working out arrangements for the future which will avoid a repetition of industrial action these proposals must be agreed. There is no scope for compromise."

While there is still a possibility of talks in the near future, taking up the hopes expressed at the weekend by Mr. Barney Hayhow, Civil Service Minister, Mr. McCall's speech reflects a more general hardening of attitudes among union leaders.

This was increased yesterday. Government and unions rejected reports of a possible settlement by increasing the 7 per cent offer for this year by bringing forward next year's settlement date from April to January to give a nine-month deal.

The Civil Service Department said the proposal as reported did not appear to fit the arithmetic of the Government's cash limit provisions. While pay dates could be moved to January the remaining problem would be finding cash to pay 530,000 civil servants until the end of April.

Mrs. Thatcher is thought to be opposed to any cosmetic formula. The Government insists a 6 per cent cash limit will be applied to the Civil Service this year. How it should be spread has been open to negotiation.

Mr. Bill Kendall, secretary-general of the Council of Civil Service Unions, said the proposal "had no basis in reality." There was contact yesterday between t ehunions and the CSD on the possibility of the proposal.

Dock employers reject union proposal

BY PAULINE CLARK, LABOUR STAFF

HOPES OF a solution to the prolonged dispute over pay affecting 1,600 dockers in Southampton were dashed yesterday when employers rejected a union proposal for modifying the dockers' 15 per cent pay claim.

The British Transport Docks Board said yesterday that employers were not prepared to make any improvement in their offer to increase dockers pay by £11 to £105 a week in response to a demand for a basic wage increase to £120.

Dockers union leaders had offered to accept payment of £120 for 12 months from July instead of from January which is the usual settlement date for registered dock workers in the port.

They argued that the formula would protect the principle of their demand for earnings parity with non-registered docks staff but would reduce the cost of the award over the current year in recognition of the trading recession.

Yesterday's pay talks were the latest in a series of attempts to find a solution to the pay dispute which has led to serious disruption of business in the port since February.

Following industrial action earlier this year by the dockers, the port was closed for three weeks two months ago and has for the past month been operating only a single 8 am to 5 pm daily shift. This has left dockers with only their basic £94 a week.

The talks appeared to have ended in an atmosphere of increased bitterness. Employers stated that as a direct result of loss of trade, all overtime and shift working would be greatly reduced. Employers, who had early this year asked the National Dock Labour Board to cut 200 dockers from their payroll through voluntary severance, would now also ask for a further cut of between 200 and 300 dockers.

Stop drift to Left, Labour told

Financial Times Reporter

The next General Election could produce a 1945 type landslide win for Labour — but only if the party stopped its internal wrangling and drift to the Left, Mr. Tom Jackson, postal workers' leader said yesterday.

He told the annual conference of the Union of Communication Workers in Brighton: "Those who want us to go into that fight with a leader and a manifesto both of which would be unacceptable to the British public" stood in the way of that "great victory."

Dispute's effect

INDUSTRIAL action by the Prison Officers' Association—which lasted from early October until January—had the greatest effect on remand prisoners and those serving short sentences, including fine defaulters, said a Home Office statistical bulletin published yesterday.

Time Out crisis

THE FUTURE of Time Out the weekly London magazine, still hung in the balance yesterday when a meeting between management and staff failed to end a three-week pay dispute.

The dispute is over proposed changes to the magazine's salary structure.

Steelworkers give warning over pay claim action

BY PAULINE CLARK, LABOUR STAFF

UNION LEADERS of 69,000 workers in the British Steel Corporation warned yesterday that "industrial action cannot be ruled out" over pay this year.

The warning followed three hours' talks between BSC and the Iron and Steel Trades Confederation. Management refused to accept a union offer to reduce the claim from an original 15 per cent to 7½ per cent, and rejected an offer to go to arbitration.

Mr. Bill Sirs, general secretary of the ISTC, the biggest union in BSC, described the corporation's refusal to improve its offer of 7 per cent from July, involving a six-month pay freeze from last January, as "insulting" and a decision which would provoke "strong feelings of anger which should not be underestimated" from steel workers.

The union's next move, he said, would be decided at its annual conference at Bournemouth next month.

Other unions representing craftsmen have indicated acceptance of the pay freeze and 7 per cent—from July—offer.

Manual workers are said to be angered by what the union says amounts to only a 3.5 per cent offer over the year, despite manning cuts of 50,000 last and 20,000 this year.

The union hopes that BSC will come under pressure from the Government to improve pay proposals to prevent a further confrontation with the workers after last year's 13-week strike.

New look at teachers' pay

BY GARETH GRIFFITHS

THE GOVERNMENT is looking at ways of overhauling the structure of teachers' pay and intends to closely examine such aspects of education funding as special allowances for schools and top-up payments for particular qualifications.

In evidence to the House of Commons select committee on arts, education and science yesterday, Mr. Philip Halsey, an under-secretary at the Department of Education and Science and head of the teachers' branch, said the Department had set up an inquiry to look at the salary structure of schools within the Burnham scale.

The intention is to see if a review of special structures would be advantageous.

This inquiry will have to be conducted with the local authorities who are directly responsible for teachers' pay.

Mr. Walter Ulrich, the deputy secretary in charge of schools at the DES, said the Government's public expenditure cuts had led to the tightening of staff in schools. He did not believe tighter staff levels had caused education authorities to fail to fulfil their legal obligations.

New incomes policy talk is 'nonsense'

BY JOHN LLOYD, LABOUR CORRESPONDENT

TALK OF a new incomes policy was "dangerous nonsense," Mr. Ken Gill, general secretary of the white collar engineering union, AUEW TASS, told his union's annual conference in Bournemouth yesterday.

Mr. Gill, a member of the TUC general council and of the Communist Party, told delegates in his introduction to the union's executive committee's report that the conference agenda had no motions of incomes policy because it was recognised that its policy of opposition to such a policy was "first class." There was nothing to be added.

"Whether it was from Cripps, Brown, Wilson, Heath, Callaghan, this union consistently fought for free collective bargaining and is almost the only union in this country which never departed from this stance," he said.

"We must tell anyone who raises it yet again that they are talking nonsense and dangerous nonsense at that, whether it is the national executive committee of the Labour Party or Mr Denis Healey. It is a sure and tried way of losing elections."

Commenting on the contest for deputy leadership of the Labour Party, Mr. Gill said that people should take note of the record of the contestants.

"In the last two Labour governments we have had leading members whose allegiance was first to the International Monetary Fund. They have forced through policies specifically designed to cut trade unionists' living standards, to increase unemployment, and to weaken the bargaining power of the trade union movement."

Mr Gill said that Mr Healey's "brand of monetarism" had been responsible for electoral defeat.

A fat warehouse eats up profits.

Every inch of unused space in a warehouse, store or stockroom swallows up cash.

That's why businessmen are turning to 'narrow aisle' systems for handling pallet loads.

Narrowing the aisles means using special fork lift trucks that allow pallet stacks to be moved more closely together and saving space saves money.

But how narrow is narrow?

We at Rolatruc BT would like to spell out the facts.

The most common type of forklift truck is the familiar balloon-tyred, counter-balance truck.

It goes anywhere. We don't compete with it–until it starts working indoors. And then, oh dear.

In practice these trucks can usually only raise loads to a height of about 15 feet. And they need an aisle 12 feet wide to manoeuvre.

Such a warehouse must be wide and low.

A real fatty.

Compare it with one of our reach trucks (so called because they carry the load within the wheelbase on the move and then reach out to put the pallet load into position). They can stack pallets to a height of 26 feet.

They only require an aisle 8½ feet wide for access.

Such a warehouse would be better proportioned. Good and tall, but still on the chubby side. It would cost about 30% less than a warehouse for counter-balance trucks.

Even more dramatic savings can be made by going for our narrow aisle stacker trucks.

These do away with the need for turning in the aisles by handling the pallet load on forks that move sideways across the axis of the vehicle. They are guided between the aisles but can be driven in the normal way elsewhere inside the premises.

Their operating height is similar to a reach truck but now the aisle width can be narrowed to just 4 feet 8 inches.

This is the slimmest aisle into which a conventional pallet will fit.

Such a warehouse would save over 60% of the space in the tubby alternative we first talked about. In other words a £400,000 warehouse can do the job of a £1,000,000 warehouse.

From here on the only way to go is up. In fact from a building economy point of view there is little to be said for stopping at a racking height of 26 feet.

Using the same narrow aisle as that for a stacker truck we offer stacker cranes. These run on floor and ceiling mounted rails. The driver rides up and down along with the load. And they operate 5 times as efficiently as a normal forklift truck.

What's more they will work up to a height of 60 feet.

Remember, if you are still using counter-balance fork lift trucks in your warehouse, a stacker crane system will allow you to store at least 6 times as many pallets on the same floor area.

With warehouse space running at an average cost of £10 per square foot, it's easy to see how wide open spaces eat up the money.

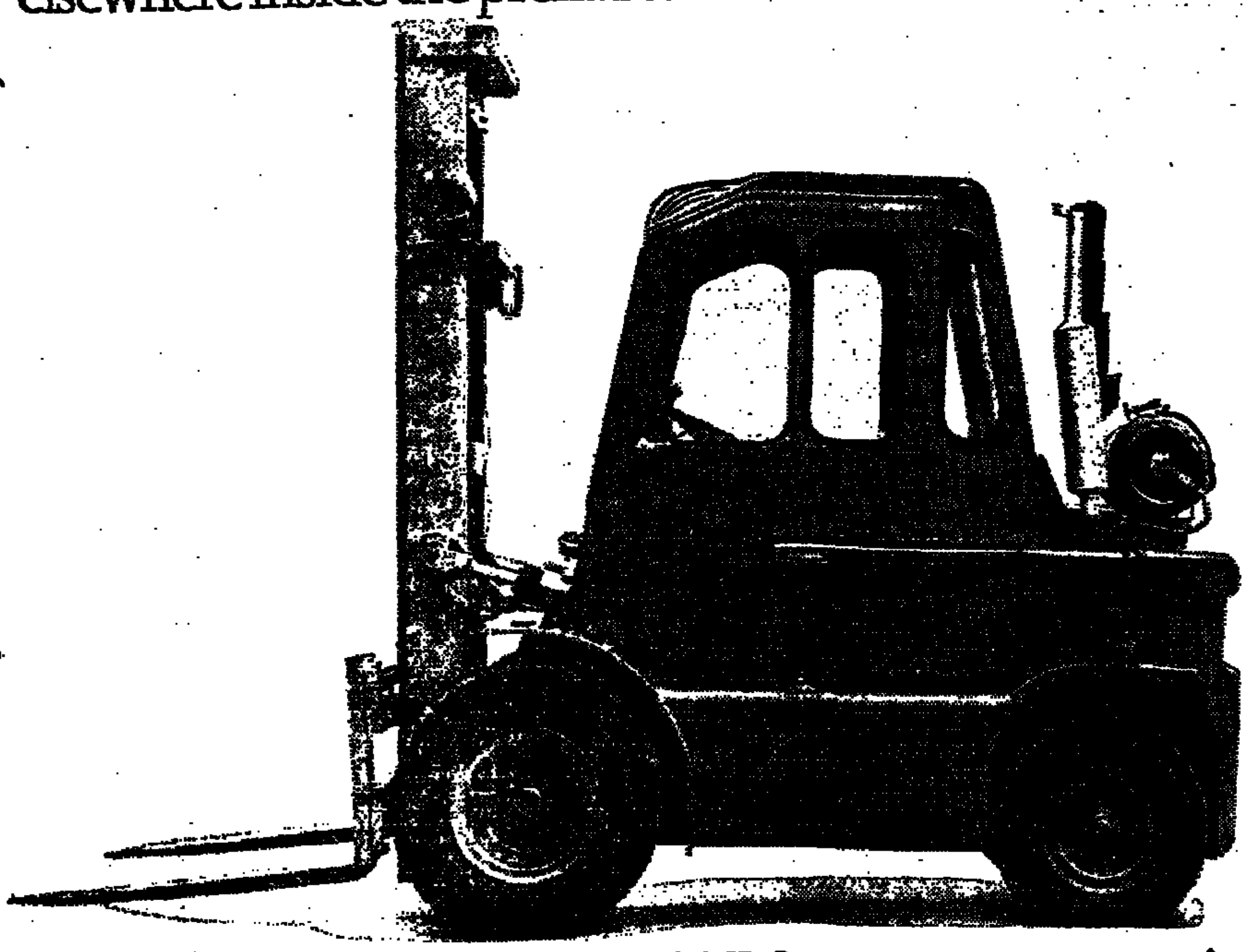
Of course, cranes aren't ideal for everyone. That's why we make reach trucks and narrow aisle stackers.

The point is; to remain competitive in today's world market means making every possible economy.

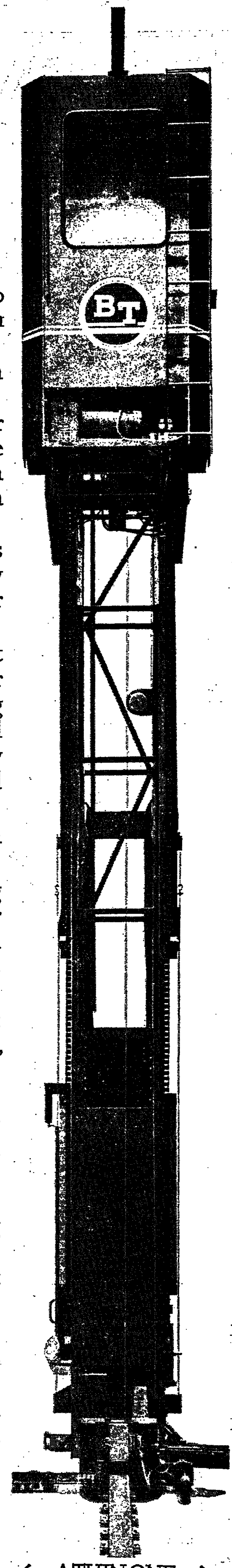
And probably the single biggest saving you can make is to stop wasting warehouse space.

At Rolatruc BT we can show you the machines that make this possible.

Bring us your problem and we'll show you how to cut that fat warehouse down to size. And stop your profits disappearing into thin air.



←A FAT SYSTEM.→



←A THIN ONE.→

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UK NEWS—PARLIAMENT and POLITICS

Tory call to curb cash support for state loss-makers

BY IVOR OWEN

TORY BACKBENCHERS, angered by reports that the public expenditure axe is poised over the Royal Navy's surface fleet, last night called on the Government to staunch the outflow of taxpayers' money to loss-making state owned industries.

BL was the target of an opening broadside fired in the Commons by Mr. Alan Clark, MP for Plymouth Sutton and vice-chairman of the Conservative backbench defence committee, whose constituency is heavily dependent on the Devonport Dockyard, the Royal Navy's biggest refitting and repair base.

Sweeping aside a Ministerial assurance that BL's market share had been showing an encouraging improvement, he protested that it was not impressive in relation to the "enormous sums" which the taxpayers had provided for the company.

Mr. Norman Tebbit, Industry Minister, stressed that the sales of the Metro had exceeded expectations and had taken about 9 per cent of the UK market this year up to the end of April.

But Mr. Clark told him: "Were normal accounting procedures to be applied the Metro would have to sell for about £6,000 to give the taxpayer a decent return."

Other Tory backbenchers anxious about the exten of the defence cuts under consideration indicated their support for Mr. Clark who said: "There is a limit to the extent that many Tory MPs can tolerate continuing to subsidise what is a giant and incompetently managed job creation scheme while jobs in defence industries, most notably in ship building and ship repairing, are threatened by these insatiable demands."

Mr. Tebbit replied that all the workers in British Shipbuilders would be heartened by Mr. Clarks tribute to their competence.

Bu he urged Government supporters to bear in mind the undertakings given by Sir Michael Edwardes, BL chairman, concerning the action he would take if it became clear that the corporate plan could not be carried through to success.

In a reference to last week's strike at BL's Longbridge plant, Mr. Tebbit maintained that this had provided further evidence of Sir Michael's determination to ensure that the corporate plan succeeded even if it required "tough decisions."

Mr. Leslie Huckfield, a Labour industry spokesman, said there were fears in the West Midlands that the Metro might soon be the only substantial model made by BL.

He insisted: "What is really affecting BL at the larger end of the range—the Rover and the Jaguar—is the Government's own policy, particularly the strength of the pound and the recent 20p increase in the duty on a gallon of petrol."

Mr. Tebbit replied that the loss of output as a result of the strike had done far more damage to BL than the increase in the price of petrol.

Today in Parliament

Commons—Debate on defence estimates. Remaining stages of the Armed Forces Bill. Motion on the Employment (Miscellaneous Provisions) (Northern Ireland) Order.

Lords—Consideration of Commons amendments to the Judicial Pensions Bill. Motions to approve European Communities (Definition of Treaties) (Accession of the Republic of Zimbabwe to the second ACP-EEC Convention of Lome) Order 1981. The Sheriff Courts (Scotland) Act 1981. The Sheriff Courts (Scotland) Act 1971 (Summary Cause) Order 1981. Licensing (Amendment) Bill, committee stage. British Telecommunications Bill (committee stage).

Select Committee. Employment. Subject: homeworking. Witness: Mr. Richard Botwood, chairman W. S. Sanderson (Morpeth). (Room 15, 4 pm).

Joseph hesitant on output fall

SIR KEITH JOSEPH, the Industry Secretary, stonewalled in the Commons yesterday when questioned about a forecast that industrial output is expected to decline by about 3 per cent this year.

He told Mr. Ken Woolmer (Lab., Batley and Morley) that it was a matter of choosing between the various forecasts available.

Confirming that he expected recovery in industrial output to start sometime this year, Sir Keith added. "It may have already begun."

Elinor Goodman reports on the power struggle between the Tribunites and the Bennites

New angle on the Labour deputy leadership contest

IN THE long and bloody saga of Labour5s deputy leadership contest, all the interest yesterday switched from the main issue to the question of who should carry the standard of the Left in the forthcoming election.

For while at oen level the contest is about whether Mr. Dennis Healey should continue as deputy leader after the autumn and the influence of moderates within the party, at another level it is about the party's Left and the role Mr. Tony Benn plays in it.

Since the expectation at Westminster still is that Mr. Healey will just manage to scrap home this autumn what is at issue is who should take second place. In essence, this is a struggle between the old Tribunite Left and the new Bennite Left, with its army of activists in local parties prepared to use to the full all the means for making MPs more accountable to the rank-and-file, which they have got through the party over the last two years.

Yesterday, the opponents of Mr. Benn on the Left were meeting in small, formal groups throughout the day, trying to find a candidate who would disprove Mr. Benn's claims to represent the real voice of the Labour Left, and demonstrate just how limited his support is at Westminster. What they were also looking for was somebody who MPs under pressure from Left-wing activists in their constituencies could vote for with a clear conscience in the first round in preference to Mr. Healey.

Given the way the odds are now stacked against any new candidate, it was not a job which many people would envy, and there were those last night arguing that it could just improve Mr. Benn's standing if he was seen to head off a challenge from the Left without any difficulty.

The search for an alternative candidate on the Left has been going on ever since Mr. Benn launched his dawn raid on the deputy leadership in the early hours of April 1. As soon as it was known he had formally submitted his application, complete with the signatures of the requisite number of MPs, negotiations began to find somebody on the Left who could get more votes than he at Westminster.

Gradually, this movement coalesced around Mr. Eric Heffer, long regarded as the other half of Mr. Benn's double act on the party's national executive, but who has recently been making no secret of his differences with Mr. Benn over the campaign to make MPs more accountable to local activists. Thirty-five MPs indicated they would support him, which meant he would have probably got at least twice as many votes from the PLP in the first round as Mr. Benn. But yesterday Mr. Heffer announced he would not be standing.

Ironically, his decision not to stand was in part due to the same constituency pressures which may persuade other MPs to vote for Mr. Benn when the votes—all of them recorded—are cast this autumn. His local party of Liverpool Walton made it clear they would not support him in a challenge saying it would only confuse the issue and split the Left's vote. And since none of the big unions, which ultimately will decide the day under the new electoral college, had indicated they could deliver their votes to him, he decided not to stand.

This left the 35 or so MPs who had said they would vote for Mr. Heffer without a candidate in the first round. The great majority could not stomach the idea of voting for Mr. Healey, but many still had reservations about appearing to give their blessing to Mr. Benn's challenge. Last night, some were arguing that in the circumstances, it would be merely divisive to field anyone against Tony Benn, but others were determined he must be stopped in his tracks, and that the Left itself must be seen to reject the kind of tactics he stands for.

Benn: claims to represent the real voice of the Labour Left

Tony Benn's support has always been far weaker at Westminster—even on the Left—than in his power base among local parties. But in the last few months, the antagonism towards him has increased. His decision to join the Tribune Group earlier this year after years outside it did not help. Nor did his decision to announce his bid for the deputy leadership without consulting the Tribune Group, some of whose members felt strongly that in the interests of party unity it would have been far better not to have had a contest at all this autumn. There has also been growing concern among some sections of the Left about the way some of Mr. Benn's supporters in local parties are using the new rules—like the new procedures for re-selecting MPs—to pressurise MPs. Left-wingers who themselves campaigned for the move to make MPs more accountable to their party now complain about the "style" and "bullying tactics" of some activists.

But given Mr. Benn's support among the local parties, which, like MPs, will have 30 per cent of the votes in the new electoral college, it will be very difficult for anyone running against Mr Benn on a Left-wing ticket to beat him. Some unions, however, would certainly welcome a third candidate, as it would get them out of the situation where they feel obliged to vote for Mr Benn as a protest against Mr Healey and all he stands for.

The intervention of a third candidate could, therefore, make things more difficult for Mr Benn in the first round. But, the odds are that any new candidate would have to drop out after the first round. Mr Benn could then pick up this support in the final ballot.

The other possible advantage to Mr Benn's prospects of a new candidate is that one of the main arguments against him has been that there should be no contest for the deputy leadership at all this autumn. Once MPs — or unions — had voted for another candidate in the first round, it would be very difficult for them to justify not voting for Mr Benn in the next round on the grounds that it would have been better if Mr Healey had been unopposed.

Depite these differences of opinion on the Left, most Left-wingers still believe that every effort must be made to run Mr Healey a close second. But there would certainly be some Tribunites who would be as alarmed as any moderate in the party if Mr Benn actually defeated Mr Healey. The expectation at Westminster still is that Mr Healey will scrape home, but, given the Left's conference successes over the last few years, no one would regard it as a certainty.

Roads recommendation rejected

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE GOVERNMENT has rejected a recommendation by an all-party committee of MPs that the Transport Department should explain how it decides on its priorities for spending between roads, railways and other national transport policies.

The MPs, on the Commons select committee on transport, said in a report in December on the Government's roads programme White Paper that there was a "real need for roads policy to be formulated in the context of a national transport policy." But road planning, as practised by the Transport Department, was primarily a "highly arcane art masquerading as science."

The department was severely criticised by the committee for the "widespread suspicion that decisions about roads are protected from effective public scrutiny by a bureaucracy which is either happy to have elevated its art to a mystery or which has been overwhelmed by the complexity of the machinery it has created."

The public wanted roads based on "sound common sense and an awareness of local conditions and sensitivities."

Even those professionally involved in transport policy appeared to have found it hard to understand how national policy for road building and maintenance was formulated and discussed, the MPs said.

The result was unease and "public disquiet" about the Government's roads programme. Future roads White Papers should explain more fully the rationale behind the allocation of resources.

"The absence in the current White Paper on roads of any explanation of the relationship between policies towards capital investment in roads and railways and between capital investment and current support for road and rail public transport raises questions about the extent rational judgments rather than politic compromises are made," the committee said.

This was totally rejected by the Government in a response to the committee's recommendations on the roads White Paper.

Mr. Norman Fowler, Transport Secretary, told the MPs in a memorandum published by the select committee yesterday that "Ministers do not believe it would be very useful to use the roads White Paper as a vehicle for regular annual statements of transport policy as a whole and doubt whether it would be wise to attempt to produce annual published assessments of transport policy as a whole."

However, the MPs on the committee do not intend to let the issue stop with this response from Mr. Fowler.

Opposition proposals for Wales

By Robin Reeves

THE WELSH Development Agency will adopt a far more aggressive, interventionist, role if Labour wins the next General Election, according to the party's draft programme for Wales, published yesterday.

The programme, due to be debated at next week's annual conference of the Welsh Labour Party, suggests a shake-up in local government, through the replacement of the county and district councils by a single-tier structure.

Labour would restore the "real value" of regional policy, the programme promises, giving priority to the whole of Wales, but with special help for areas worst hit by industrial change.

158 more quangos axed in battle to cut spending

BY MARGARET VAN HATTEM, LOBBY STAFF

THE LATEST casualty lists in the Government's running battle against rising public spending were published in the Commons yesterday. In written answers to Parliamentary questions, the Prime Minister announced that the abolition of a further 158 quangos since December will bring an annual saving of around £1.5m, while Mr. Barney Hayhoe, the Civil Service Minister, announced that 42,700 civil service jobs had been eliminated in the two years to April 1981.

Among the latest of the non-departmental Government bodies to get the axe are the Clegg Commission on Pay Comparability (annual saving estimated at £600,000), the Royal Commission on Criminal Procedure (£200,000), the Inter-University Council and the Technical Education and Training Organisation for Overseas Countries (£300,000), the Noise Advisory Council (£75,000), and the Inquiry on Lorries, People and the Environment (£60,000).

Mrs. Thatcher said a further six quangos would soon be abolished. These include the Committee on National Museums and Galleries, the Advisory Council on Social Work, two licensing planning committees, and advisory committees on the protection of birds

Listing the staff reductions in the Civil Service, Mr. Hayhoe pinpointed the loss of 18,095 jobs in the Defence Department, 11,835 in the Chancellor of the Exchequer's Department, 9,014 in the Department of the Environment, and 1,889 in the Home Office.

Home truths about radiation

BY DAVID FISHLOCK

ORGANISATIONS opposed to nuclear energy are inclined to quarrel among themselves about just what they are complaining about, when contesting nuclear projects, as Mr. Justice Parker recently pointed out. Nevertheless, they agree on one point. Between them they have certainly succeeded in sensitising people generally to the dangers of radio-activity and radiation.

No matter how low the level is set for public radiation exposure due to industry's activities, it is too high for opponents of nuclear energy. They assert that there is no "safe level" or threshold below which radio-activity's consequences can be ignored.

They declare that public money would be better spent on sealing up Britain's traditionally leaky houses more tightly against leaks of heat—the theme, if you remember, of much Department of Energy TV advertising last winter—than by investing in nuclear stations.

Timebomb

But ticking away in Whitehall is a scientific timebomb. Sealing up dwellings more tightly could considerably increase the British population's exposure to radiation.

The problem is the naturally radio-active element radium, once revered as a precious cure for cancer until artificial radio-isotopes could be made more cheaply. Radium, a mineral, gives off a radio-active gas, radon, which in turn breaks down into solid "daughters," also radio-active.

The National Radiological Protection Board, an agency of the Department of Health and the Government's official watchdog over all kinds of radiation, has been looking more closely at the natural sources of radiation to which everyone—not just the 110,000 "radiation workers" in Britain—is constantly exposed. Natural radiation amounts to almost 80 per cent of the total exposure, with the balance coming mostly from medical uses of radiaton.

Over the past two years or so the watchdog's scientists have found that they could separate each of the individual sources of radiation from the background of cosmic and gamma rays arriving from outer space, and the radiation we emit ourselves from radio-active elements inside the body. What astounded the scientists was the size of the contribution from radon.

But whereas there is not much that can be done to protect people from cosmic rays or from their own emanations, something might seriously be done about radon. It seeps from the ground or from materials won from the ground, such as those we build homes with. Some, from Cornwall for instance, are much richer in radon than others. The scientists have found enormous variations across the land.

A house that is naturally leaky will tend to rid itself of radon gas. But a house built with materials rich in radon, or built upon mine spoilings rich in radon, then sealed efficiently to keep its heat in, will accumulate appreciable levels of radio-activity.

To put some figures to the picture painted so far, the annual effective dose equivalent from radon for people living in Britain is 0.8 milli-sieverts. But some people, in Cornwall, for instance, are getting more than ten times this dose. In other words, even though they are far removed from any nuclear power station or factory, they are receiving more radiation from their homes than radiation workers receive on average in the nuclear power industry.

How long?

The Departments of Health and Environment now have these facts from the National Radiological Protection Board. So far they have not responded. The Department of Energy last winter continued to advertise its case for sealing up dwellings more tightly. It also continues to demand a report to its minister for the slightest incident involving radio-activity in the nuclear power industry.

In Sweden, they are already considering whether certified radon levels should be legally required on the deeds of dwellings. How long must we wait before our self-appointed watchdogs of public radiation hazards demand that some British homes should be pulled down, as too dangerous to be lived in?

A verdict on the Italians

WINE

BY EDMUND PENNING-ROWSELL

ARE THERE, one is sometimes asked, any "great Italian wines?" In answer, one might reply: what is the definition of a "great" wine?

First, I suggest, it has to come from a distinguished wine region. That might open another avenue of questions, but it would probably be agreed that it is almost inconceivable that very fine wines are likely to derive from minor districts, because the quality of a wine is determined largely by the situation and soil, and the most noble of grape varieties will not flourish in unsuitable terrain.

Development

Secondly, some ability to improve by maturing over a certain, though variable, period is implied. Obviously, this applies principally to red wines, but a leading white burgundy or a very fine Trockenbeerenauslese develops with bottle-age. This would certainly include such white rather than red wines as madeira and tokay essence, the latter a wine no longer marketed as such.

There is no reason, however, to demand rarity in terms of a very small output, though this might be a consideration. Price is only indirectly a factor, but a wine dubbed great is likely to be in short supply relative to demand, and so expensive.

A wine deemed fine, let alone great, is almost certainly subject to vintage variations, and though the position of a wine in its social hierarchy (i.e., first-growth claret or grand-cru burgundy) will affect its standing, this is not the essential consideration.

In fact, although there is no lack of fine wines, the number of great wines is much more circumscribed. A vintage port must certainly have a seniority of quarter-of-a-century or more, while a claret will scarcely have established its claim under a decade, if then.

To be "great" a wine must surely have reached a peak of drinkability, though it may still go on to improve. Lafite '45 was hailed from its early days as one of the great wines of the century, a claim that I am not sure to have been established, but certainly not for at least 20 years after it was made. In general a fine red burgundy needs less time than a fine bordeaux to reach its peak.

To apply these desiderata to Italian wines at once limits the field. I would say at once that I do not think that there are any great Italian whites, and not all that number to be described as fine, at least to the Western European taste, and probably the American one too. One of the most delicious Italian whites is the sweet and certainly rare Picolit from the Alps of Friuli, and it would certainly be described as fine. This does not mean that there are not many very agreeable Italian white wines, but that is a different matter.

Among the reds the obvious candidates are the much esteemed Brunello di Montelcino and the Piedmontese Barolo and Barbaresco. With the former I may have been unlucky, but of examples of three different growers' wines I have not found any outstanding. The leading grower, who established the wine's reputation, is Biondi-Santi.

As recently as 1979 I drank his 1955, and this year I have opened the 1973; both well in advance, the latter at least three-and-a-half hours. Perhaps it should have had even longer, as there are those who say that a fine Brunello, as well as the Piedmontese wines, tastes best after being opened a day or even longer. I would call the Biondi-Santi wines fine, though not worth the extravagant prices they attain in Italy; but that is their affair. I have not found the other Brunellos exceptional, and not necessarily superior to the best Chiantis, and they are made from essentially the same grape, the Sangiovese.

I have certainly had some fine Barolos. Two that come to mind are a remarkable Fontanafredda 1935, drunk in 1977 and wonderfully well preserved, and several bottles of Castiglione 1964 drunk between 1970 and 1977, a very well-balanced wine with that "prune" flavour of good Barolo.

Barbaresco is lighter and has a shorter life, but an individual style that must be an essential character of a fine wine. The same commendation may be made of Gattinara and Spanna, made from the Nebbiolo grape like Barolo and Barbaresco. So too are Donnaz and Carema, grown in and near the Aosta Valley, and both are fine, well-rounded wines. I would put none in the "great" class.

Tuscany is the next region to look for the finest wines, but though there are plenty of agreeable Chiantis and some distinctive ones, I have not come on an outstanding one. The best that I have found in this class is Tignanello, a branded wine produced by Antinori. It is a brand rather than a DOC wine because although made from the Sangiovese it includes no white wine in the blend, and that is considered essential for Chianti; often mistakenly in my view.

The Tignanello is a fairly soft wine by Tuscan standards, with a fine nose and a slightly oaky flavour. It is only made in propitious years, and there is not much of it. Stonehaven Wines of Headley Down, Bordon, Hants. list the 1971 and 1977 at £6.22. They also have Sassicaia 1976 and 1977 (£6.65), produced in a very small quantity near the sea in the neighbourhood of Leghorn. For my taste this is one of Italy's best wines, but that may be because it is made from the Cabernets Sauvignon and Franc, and contains more than a hint of claret. Yet there are those who say on this account, that it is not really an Italian wine.

The neighbouring Umbria has one distinguished wine producer, Dr. Giorgio Lungarotti, and his best-known wine Rubesco di Torgiano is available in this country at around £3 a bottle. Made mostly from the Sangiovese, it is a full-bodied but not over-powerful wine, and though varying noticeably from vintage to vintage—and this is understandable—it is well-balanced.

In the province of Verona the Recioto Valpolicella wines are powerful, alcoholic wines with a good deal of character, and can be classified as fine in their way, but not great. Just to the north of Lake Garda the Toblino co-operative makes a delicious Vin Santo, a *passito* wine made from sun-dried grapes. It is produced in tiny quantities elsewhere, but that is the one I know, and it is nectar.

Inconsistent

This does not by any means exhaust the list of Italian fine wines, but I have not sampled all the likely ones. Moreover, it has sometimes turned out that when I have tasted a particularly recommended wine, it has been out of condition—fermenting or oxydised. Lack of consistency is the besetting problem of Italian wines, including the fine types.

Meanwhile to talk of great wines is irrelevant. To drink such is an experience not forgotten, but if we are able to drink not too infrequently what may be termed fine wines of many types from a variety of sources, we have no need to complain. And in the future there should be more of these from Italy.

Vielle should manage in the mud

RACING

BY DOMINIC WIGAN

VIELLE, an admirably consistent filly who appears to act on any going, will be better suited than most by what is sure to be yielding ground at Goodwood today.

The Bruce Hobbs filly, so strongly fancied by her stable to foil Hard Fought's bid for a double at Sandown recently, beat neither Stoute's Newmarket winner nor the Harwood representative, Rankin, in the Esher course's Westbury Stakes. However, she was in no way disgraced in finishing third, beaten by 1½ lengths and the same after looking backward in the preliminaries.

This afternoon, Vielle, a powerfully made bay four-year-old by Ribero out of Hurdy Gurdy, returns to try and lift the Clive Graham Stakes to the course on which she accounted for Bonnie Isle in the Nassau Stakes.

The 1¼ miles of this listed prize in testing ground is likely to bring out the best in Vielle, one of only two older fillies at Palace House. I take Baxter's mount to achieve a clear-cut victory over the even better bred Irish raider, Triomphe. This Hoist The Flag colt, a $600,000 yearling, has been raced exclusively at Leopardstown by Vincent O'Brien and a market move for him should not be ignored.

Willie Carson rarely rides for Peter Walwyn and it seems significant that the Seven Barrows trainer has been quick to snap up the champion jockey for Ardgour, a three-year-old among the runners for the poorly contested Ripolin Handicap. A handsome bay colt with a pedigree to match (he is by Nonoalco out of Hecla, a half-sister to Mange Tout and Rose Dubarry) Ardgour has yet to finish in the first three. However, he is slowly coming to hand and will find no better opportunity than this afternoon.

Two other possible winners for the ebullient Scotsman, who now finds himself hard pressed for winners as a result of the temporary shutdown at West Ilsley and a lack of runners from Arundel, are Simette and Dogberry.

GOODWOOD

2.00—Pledge
2.30—Fly Baby
3.00—Ardgour**
3.30—Vielle
4.00—Simette***
4.30—Dogberry*

WOLVERHAMPTON

3.15—Deutzia
3.45—Miss Trilli
4.15—Covent Garden
4.45—Mull Of Kintyre

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (ultra high frequency only). 9.05 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill At One. 1.45 The Flumps. 2.01 You And Me. 2.14 For Schools, Colleges. 3.20 Pobol y Cwm. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Godzilla. 4.40 The Record Breakers. 5.05 John Craven's Newsround. 5.10 Children of Fire Mountain.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.50 Rolf Harris Cartoon Time (London and South East only).
7.20 The Harlem Globetrotters.
7.50 The Tuesday Film: "Dr. Max," starring Lee J. Cobb.
9.00 News.
9.25 Right Royal Company: "Fifty Years of the Royal Ballet."
10.35 "Somewhere More Central," by Beryl Bainbridge.
11.05 Platform One.
11.35-11.40 News Headlines.

All Regions as BBC-1 except as follows:

Cymru / Wales—5.10-5.40 pm Bilidowcar. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.35 News Headlines, News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 6.50-7.20 Rolf Harris Cartoon Time. 10.35 Current Account. 11.05 "Somewhere More Central," by Beryl Bainbridge. 11.35 News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 6.50-7.20 'bout You. 11.05 Lifetimes. 11.35 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.50-7.20 East (Norwich)—The Pace-setters; Midlands (Birmingham)—Buying Time; North (Leeds)—Springtime with Geoffrey Smith; North East (Newcastle)—Teacher; North West (Manchester)—Dodd on his Todd; South (Southampton)—The Chase; South West (Plymouth)—Inner World; West (Bristol)—Day Out (Gloucester).

BBC 2

6.40-7.55 am Open Unevirsity.
10.30 Supervisors.
11.00 Play School.
2.15 pm Racing from Goodwood.
4.50 Open University.
6.55 The Great Egg Race.
7.25 Mid-Evening News.
7.35 Images of War.
8.00 Hindsight.
8.30 The Theatre Quiz.
9.00 Pete Sayers Entertains.
9.25 Maybury.
10.15 Top Gear.
10.45 Newsnight.
11.30 The Old Grey Whistle Test.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus F.T. Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 The Spoils of War. 3.45 Square One. 4.15 Aubrey. 4.20 The Moondogs Matinee. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Mind Over Matter.
7.30 Charlie's Angels.
8.30 Thicker Than Water.
9.00 ITV Playhouse.
10.00 News.
10.30 Mid-week Sports Special.
11.30 Rockstage.
12.25 am Close: "Sit up and Listen with Baroness Airey of Abingdon.

All IBA Regions as London, except at the following times:

ANGLIA

12.30 pm Gardening Today. 1.20 Anglia News. 6.00 About Anglia. 7.00 Enterprise. 11.30 Tenspeed and Brown Shoe. 12.25 am Fresh Voices.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 3.45 Mind Over Matter. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 11.30 ATV News. 11.35 Paris.

BORDER

1.20 pm Border News. 5.15 Benson. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and Weather. 6.00 Channel Report. 7.00 Benson. 10.28 Channel Late News. 11.30 Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Mind Over Matter. 1.20 North News. 6.00 North Tonight. 7.00 The Entertainers. 7.30 The Incredible Hulk. 11.30 North Headlines and Area Weather Forecast. 11.35 Paris by Night.

GRANADA

1.20 pm Granada Reports. 3.45 Patterns. 5.15 Mork and Mindy. 6.00 Granada Reports. 6.25 This Is Your Right. 7.00 Emmerdale Farm. 11.30 After All That, This. 11.40 Bluey.

HTV

12.30 pm Mind Over Matter. 1.20 HTV News. 5.15 Goofy Gophers. 5.20 Crossroads. 6.00 Report West. 6.30 Diff'rent Strokes. 7.00 Emmerdale Farm. 7.30 Hawaii Five-O. 10.28 HTV News. 11.30 Father Dear Father.

HTV Cymru/Wales—As HTV West except:—12.00 Poli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Camigam. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Y Fam Ddaear a'i Phlant. 11.15-12.15 am Football.

SCOTTISH

12.30 pm Gardening Today. 1.20 News and Road and Weather. 3.45 Mind Over Matter. 5.15 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Take the High Road. 7.30 Vegas. 11.30 Late Call. 11.35 George Hamilton IV.

SOUTHERN

1.20 pm Southern News. 2.45 Cricket: Hampshire v. The Australians. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm. 7.30 Vegas. 11.30 Tenspeed and Brown Shoe.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 5.15 The Electric Theatre Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News. 11.35 WKRP in Cincinnati. 12.00 Exile in Ecstasy.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.29 Ulster Weather. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 6.00 Westward Diary. 7.00 Benson. 10.31 Westward Late News. 11.30 Faith for Life. 11.35 West Country Weather and Shipping Forecast.

YORKSHIRE

12.30 pm Square One. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Calendar—It's a Vet's Life. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm. 11.30 Pavilion Folk.

(S) Stereophonic broadcast
‡ Medium frequency/Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Steve Wright. 7.00 Talkabout with Adrian Love. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm The Ed Stewart Show with Family Favourites (S). 4.00 David Hamilton (S). 6.00 David Symonds with Much More Music (S). 8.00 Hubert Gregg says I Call It Genius: Cole Porter (part 1) (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 Funny You Should Ask. 10.30 The Spinners and Friends. 11.00 Brian Matthew with Round Midnight. 1.00 am Trucker's Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Villa-Lobos (S). 10.00 Brahms (S). 10.40 Trevor Pinnock harpsichord recital (S). 11.40 Cello and Piano recital (S). 12.15 pm Cardiff Midday Prom, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 Midday Prom, part 2 (S). 2.05 Flute and Guitar recital (S). 2.30 Colonne Orchestra (S). 3.25 Bartok and Haydn (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 White Coat, Purple Cloak. 7.30 "Anna Karenina," a new opera in three acts by Iain Hamilton, from the London Coliseum. Act 1 (S). 8.40 Biographer and Actor. 8.55 "Anna Karenina," Act 2 (S). 9.50 Interval Reading. 10.00 "Anna Karenina," Act 3 (S). 11.00 News. 11.05-11.15 The Bard by Sibelius (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call (Insurance). 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way visits Bath. 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Women's Hour. 3.00 News. 3.02 Cold Comfort Farm (S). 4.00 Begged, Borrowed or Stolen. 4.15 Cancer and the Environment: investigating causes of cancer. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Brain of Britain 1981 (S). 7.00 News. 7.05 The Archers. 7.20 The Hitch-Hiker's Guide to the Galaxy (S). 7.50 The Countryside in May. 8.35 A Touch of Genius: Robin Ray on the artistry of pianist, Vladimir Horowitz. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Small, Intricate Life of Gerald C. Potter. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Joins Radio 2.

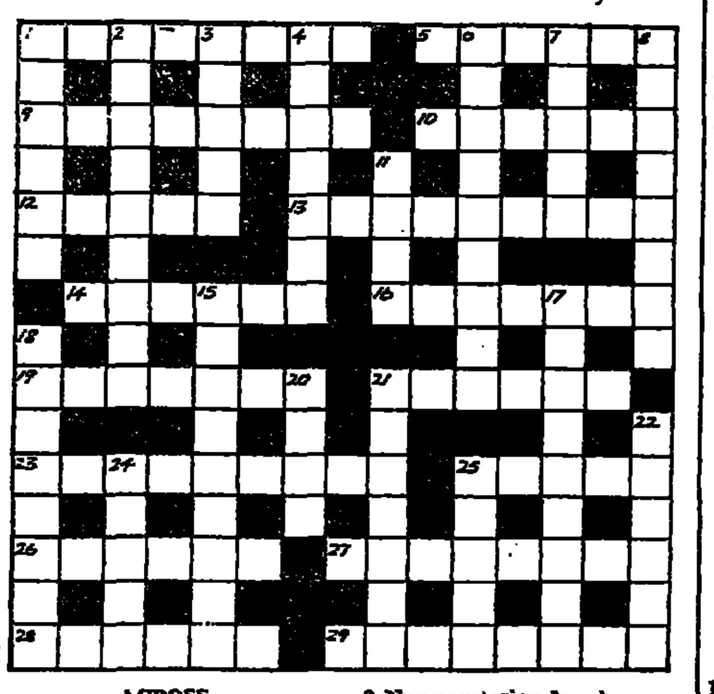
London Broadcasting

5.00 AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 3.30 LBC Cinema. 4.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne (rock music). 10.30 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,572



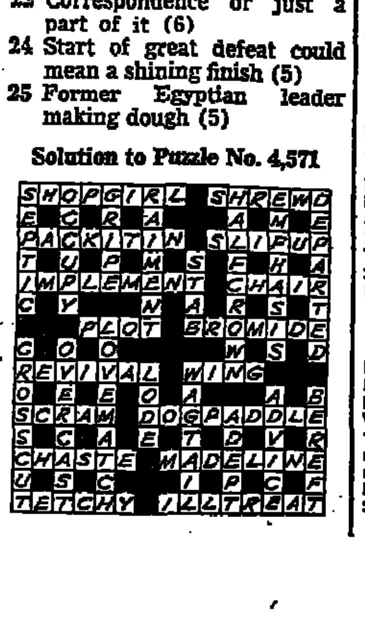
ACROSS

1 Cleaner type of pottery is delightful (8)
5 Emphasise it could be strain (6)
9 Process of disposing of liquid, or drink dry before time (8)
10 Cruel person to assail with the teeth (6)
12 You of old returning to embrace member in poem (5)
13 Anguish I left in plant (9)
14 Potter about to line a furnace (6)
16 Nationalist making Irishman demonstrate (7)
19 Take away some French pamphlet (7)
21 Divest eastern leader with a lash (6)
23 Child's jumper (4, 5)
25 Priggish person is quietly discourteous (5)
26 Crustacean without shell is nought with shell (6)
27 Increasing like a satellite (8)
28 Critically discriminating as tune is changed (6)
29 Rota returned about trial and witness (8)

DOWN

1 One club to beat (6)
2 Degradation in a cellar (9)
3 Unit in my bread (5)
4 Nearly fasten a lady's garment (7)
6 Non-vegetarian fawning sycophant (4-5)
7 Praise former old German (5)
8 Star-shaped measure found in country (8)
11 Stumble in dance (4)
15 Carriage of ecstasy (9)
17 Brazen-faced about the right to become inconsiderate (9)
18 Formal endorsement of a party over complicated point (8)
20 Diluted gas in can (4)
21 Falcon's purpose to soak (7)
22 Correspondence or just a part of it (6)
24 Start of great defeat could mean a shining finish (5)
25 Former Egyptian leader making dough (5)

Solution to Puzzle No. 4,571



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How doing it their way paid off

Jason Crisp reports on a British computer company whose growth has been very rewarding for the NEB

ONE OF the brightest jewels in the National Enterprise Board's somewhat tarnished crown, sparkles, ironically, within sight of Sir Keith Joseph's own Leeds constituency. Systime, a highly successful, expanding mini-computer manufacturer, provides strong evidence of how public finance, in the form of the NEB, can fill a gap left by private investors — even if that is an anathema to Sir Keith.

Founded in 1972, Systime has grown impressively: last year turnover reached £24.1m and the company employed over 900 people. In the current year turnover is expected to reach £33m and Systime is shortly to start building a new £20m factory on a greenfield site.

But five years ago when it had an annual turnover of just £2.5m, with pre-tax profits of £230,000, it was unable to find any private backers who would offer finance which Systime thought remotely acceptable. It went on a lengthy trawl of a great many well-known financial institutions—including the small firm specialists — in search of equity finance. Where it was not rejected out of hand for lack of a track record it was offered deals it saw as little short of usury.

Yet when the NEB eventually hammered on Systime's door, it was not a question of fools rushing in where cautious bankers feared to tread. In July 1977 the NEB paid £500,000 for a 26 per cent stake in the company. Earlier this year the other major shareholder sold its stake to a Scottish investment house and the company was valued at £18m, putting a £5.3m price tag on the NEB's holding.

In its way, Systime's early success and survival is a textbook example of how small fast-growing firms get off the ground. It involves a good idea, hard work, idiosyncratic personalities, lots of luck and bags of chutzpah.

John Gow, the blunt and sometimes mischievous 37-year-old managing director and founder of Systime, likes to boast that the company was launched by ICL, the embattled flagship of Britain's computer industry.

In 1969 Gow had joined the UK arm of Digital Equipment Corporation (DEC), the highly successful U.S. manufacturer of mini-computers, as software manager in the north of England and Scotland.

Gow's vision at DEC was to be one of the first of the small computer companies to offer to small and medium sized companies complete business systems as a package. In other words instead of just supplying the computer and a limited amount of software it would set up a complete system which would enable the company to do its payroll, stock control, accounts, billing and so on. At the time DEC thought this was too ambitious for its small UK operation—more the preserve of a company like IBM.

Systime's birth came about when the software consultants to a client of DEC's, a discount warehouse, could not make the DEC system work. Gow offered to do it himself. Fortunately—as it turned out—his wife, who worked for ICL, had been suspended on full pay because her employer was nervous that she would pass on price information to Gow on a contract for which ICL and DEC were competing. She was able to do most of the work on setting up a system.

Wait for payment

With DEC's tacit agreement Gow went on to sell complete systems to other companies, such as a Glasgow car dealer which was provided with a complete parts stock control system. Within a year Gow had left DEC and was employing 4 computer programmers; a year later it was 18. The first ten companies he sold to, says Gow, were run by eccentrics in their own right—they had to be to entrust the running of their vital management systems to an unknown company working on U.S.-made DEC mini-computers which at that time were little known in Britain.

In the first two years the company had few financial problems. It was operating from a room in Gow's house and was financed largely by DEC's willingness to wait for payment on the computers it was supplying as part of the systems Gow was installing.

The first problem came when Systime decided to do its own maintenance because it wanted to offer customers a four hour service — notably quicker than DEC itself was offering at the time. This nearly brought Systime to a premature close. The cost of spares from DEC, the cars for the engineers, together with their high salaries, severely strained Systime's resources and the bank bounced a cheque even though a negotiated overdraft limit had not been exceeded.

Gow had to take out a second mortgage on his house to pay the wages. The company hobbled on for several months until the end of 1974 when DEC realised that Systime, employing just a handful of people, owed it £250,000, and yet had no assets to speak of; DEC refused to deliver any more computers.

One of Systime's own customers, Musichire, a local Leeds company which sold and hired pinball machines and one-arm bandits, came to the rescue. Musichire's finance director, John Parkinson, an accountant the same age as Gow, recognised his flair.

Parkinson had tightened up Musichire's financial controls and improved profitability, and was looking for ways to diversify the group. Musichire's chairman was persuaded to buy 26 per cent of the company for £11,000 and to guarantee an overdraft for £80,000. Parkinson set about sorting out Systime's financial controls—which it is freely admitted were in total disarray. Within three months it was clear that the overdraft facility was totally inadequate and Musichire had to increase its loan guarantee to £250,000.

Parkinson spent every evening for a year working with Gow to sort out the company and put it on a sound footing with proper financial controls. By the end of 1975 the cash flow had been turned round, turnover was £1.2m and pre-tax profits were £80,000.

John Parkinson joined Systime as full time chairman in 1976 at about the same time as the company was beginning its trawl through the financial institutions. Apart from being in need of a second injection of finance in order to expand, Systime faced a problem of credibility. Companies were nervous of entrusting such a small company with their business systems. As Parkinson puts it: "The hardest part of the selling was convincing companies we would be here tomorrow. We needed to have a blue chip company behind us."

There seems to have been a remarkable lack of empathy between these two rather blunt young men and the financial institutions. John Gow lays a lot of store by the "personal chemistry" between the people he meets and himself—an important factor in the company's early sales. Yet he is highly dismissive of the financiers he met. He calls them "plastic men" because they all seem to have been made from the same mould.

John Parkinson, the more cautious of the two and perhaps more prepared to spend time on financial presentations, thinks that the institutions were put off by the high risk element of the investment. He also believes that their growth projections were offputting. At the time Systime was projecting growth in turnover and profits of 60 to 70 per cent, which it in fact exceeded. "If we had reduced our projections it would have increased our credibility," notes Parkinson.

After failing to find any private backers the company was tided over by a sharp increase in orders. But in early 1977 John Gow was phoned by the NEB which was setting up Insac, a marketing group for British software companies to sell their expertise overseas.

Gow just said that Systime was not a lame duck and put the phone down. Three days later the NEB rang back. This time Gow pointed out Systime was not a software house but a systems company, and put the phone down again. The third time the NEB rang, Gow refused an invitation to go to London and said if the man was so interested why did he not come to Leeds.

He did. And according to Gow, that magic "chemistry" was working within five minutes and the outlines of a deal had been agreed in little over an hour. The attraction of the NEB to Systime was its long-term approach to the finance. "These other guys (financial institutions) wanted their money to reappear next year in the form of dividends and debt repayments."

In 1977, the NEB paid £500,000 for a 29.5 per cent stake and provided loan facilities of £700,000. For the most part Systime is highly complimentary about the NEB. However, relationships have not been totally untroubled. The change in government inevitably altered the NEB's attitude to its investments and Systime was unhappy about the board's attempts to find a private buyer for its shares.

Also the various changes of personnel at the NEB over the past 18 months added to the uncertainty. Gow and Parkinson objected to several of the potential bidders for the NEB stake because they wanted to buy the company out completely. They emphatically did not want to be dominated technologically or managerially by any new owner and they also wanted to be able to continue to pursue a no-dividend policy and offer shares to employees.

Uncertainty lifted

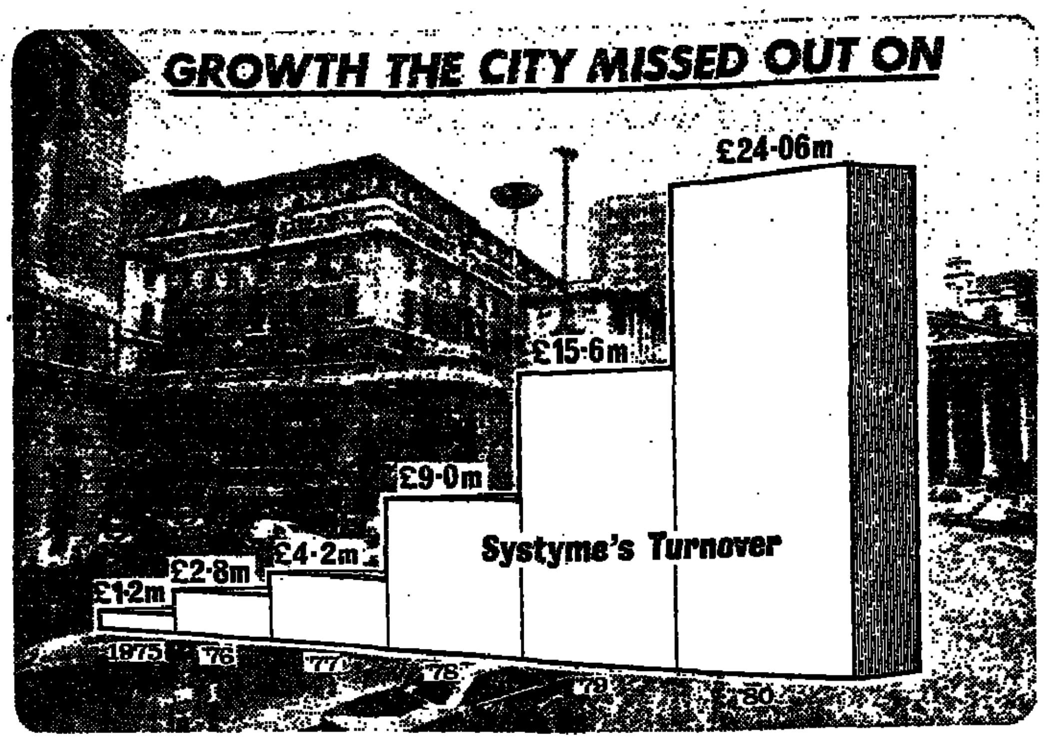
At about the same time, Systime's other major shareholder, Musichire—which had by this time raised its stake to 36 per cent—was beginning to feel dwarfed by the computer company's rapid growth and did not have the resources to finance its further expansion.

But early this year the cloud of uncertainty which hung over Systime was lifted. First it convinced the NEB that the ideal distribution of ownership which would ensure the company's continuing success and independence would be one-third held by private institutions, one-third by executives of the company and one-third by the NEB. And Sir Keith Joseph, who has met the company's executives several times, agreed.

Second, Ivory and Sime, Edinburgh-based investment fund managers bought Musichire's 36.18 per cent shareholding for £6.51m. Gow points out that the chemistry between the company and Ivory and Sime was right because of its understanding of the needs of high technology companies, particularly the need to take a longer view on an investment.

Gow is convinced that a number of financial institutions will have to revise their investment criteria if they are to become involved with high technology growth companies. And, he says, there have been considerable changes since Systime's own trawl four years ago. There is, he says, much greater willingness to accept long term growth investments without dividends, and short term returns.

A capital reconstruction changing loans to preference shares has given Systime a healthier balance sheet. The new factory, costing £30m of which £10m is increased working capital, is financed by a loan from the European Investment Bank, selective grants from the Department of Industry as well as internally generated funds, over a period of four years. And in about four years' time Systime plans to go public.



Systime's curriculum vitae

WHEN SYSTIME was founded in 1972 it began as a software company. Soon it became a "systems company" in that it provided both the computer hardware as well as the programming instructions to perform specific tasks. The computers it supplied are made by Digital Equipment, the successful mini-computer manufacturer.

But since 1975 Systime has increasingly extended its own manufacturing capacity from its initial manufacture of printed circuit boards. Now, only the central processor of the computer is made by Digital. Systime manufactures its own video display terminals, keyboards and cabinets and assembles most of its printed circuit boards.

The cheapest system it sells is available for around £10,000, of which approximately £7,000 is the computer hardware and £2,500 is for the software (computer instructions). At the top end of the range it sells a very powerful computer (from Digital) which can cost up to £350,000, and have up to 100 terminals.

It has also produced a micro-computer which does not involve any equipment made by Digital and is based on a microprocessor made by the U.S. semi-conductor manufacturer, Intel. The micro-computer is to be sold and distributed by Nexos, the NEB office systems company, which has an exclusive marketing agreement on one version of it.

About 40 per cent of Systime's computer hardware sales are made to OEMs (Original Equipment Manufacturers) which in turn sell the equipment under their own labels as complete systems. Systime does not want that percentage to rise.

Although Gow likes to state Systime's market is "any business of any type" it has done well in some particular areas including retail and distribution, motor dealers and insurance broking. Customers include BL and its distributors, BP, Hogg Robinson and Inmos.

About 20 per cent of Systime's production is exported. The biggest overseas market is South Africa, followed by Holland and the Middle East. It also employs a number of software specialists in India.

With 450 people out of a total 950 working in a former mill in Leeds, and every available hut and building nearby, Systime's biggest headache is space. The new greenfield site factory will not be ready for 18 months.

One danger John Gow fears more than most is that Systime will become bureaucratic as it expands. A proposal for the new factory which included having an "executive floor" for the directors was promptly thrown out. Gow insists that managers and staff work together to keep the close team spirit that he says is essential to the company's success.

A factory fairy tale

COULD the day really come when blue collar workers, instead of going off to work every day themselves, send their personal robot to put in an eight-hour day at the local factory?

Blue collar workers would then share those jobs that could not be automated and everybody would have more leisure time. They would only have to ensure that their personal robot was regularly serviced and reprogrammed when it was needed to undertake a different task.

This may be stretching credibility a little, but not completely—if Robert Schrank, of the *Ford Foundation* in the U.S., is taken anywhere near seriously. Writing what can best be described as an industrial fairy tale, in the latest Harvard Business Review, he uses the analogy that many of the factors that led to the work horse being replaced by tractors are relevant in the context of the pressure for change in factories.

Illustrating his point in an imaginary conversation at a Ford assembly plant, Schrank's character "Mr. Axel Gear" argues that more machines are needed because "they are always on time and they don't eat much." They may need maintenance, but after 10 years amortisation they can be sent to the junkyard "with no pension, no health care, no social security."

A solution, according to "Rod Piston" is that a blue collar worker laid off at, say General Motors, "buys a robot and rents it to Buick to weld door frames. Buick pays the robot owner a piece rate for the robot's output." It could, he argues, be a fine solution for the unemployed.

"Horse-collar blue collar blues." by Robert Schrank. Harvard Business Review, May-June, 1981.

Nicholas Leslie

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Entrepreneurs float a business on blood

DAVID FISHLOCK, SCIENCE EDITOR

"BLOOD IS our business," says Alec Trustram Eve, a former City stockbroker who has recently become chairman of Peritronic, a new British biomedical company. "We're bringing a new dimension in marketing to the medical field," Eve asserts.

Eve leads a small team of entrepreneurs who are exploiting a novel invention for handling blood gently yet firmly. He has raised about £1m to launch Peritronic, whose first commercial product—a versatile blood pump—starts to come off the assembly line this week. Its design was finally frozen only six months ago.

Eve has set up what he calls a "conduit company" — a managerial team to license and transfer new medical product and manufacturing technology. "We have no wish to manufacture or distribute ourselves." He is seeking licensees for an invention for which—at the price (about £900) and performance claimed—he foresees a worldwide market in hospital, research and emergency services.

While still a stockbroker, some five years ago, he learned of a design and laboratory group called Lintronics with biomedical inventions nearing the stage of commercialisation. Did he wish to be involved? he was asked. He commissioned a feasibility study and estimated that it would need £950,000 to bring the gentle blood pump to the market.

He formed a consortium comprising one institution—Foreign and Colonial Investment Trust—and an international assortment of individual investors. He launched his new venture in August last year.

The feasibility study said that much of the front money would be needed to demonstrate that the blood pump could be manufactured, and to adequately patent the invention. About £50,000 has been earmarked for patents, says Richard Muirie, director and chief executive of Peritronic. Patents have even been applied for in five Comecon countries, despite the difficulty of policing them there. He believes that failure to secure its patent position was a major weakness with the EMI-Scanner. "We've got patent cover in every country where it can be made and re-exported."

What Peritronic has patented is the electronically controlled portable perfusion pump, "a marriage of precision engineering and advanced electronics," says Muire. It was designed by first canvassing the views of the medical profession on what would constitute a perfect, all-purpose pump. Lintronics identified about 100 characteristics. It then designed a pump embracing all but about 15 per cent of them.

It is not a heart-lung machine (artificial heart) but "an honest-to-God perfusion pump" capable of perfusing blood, plasma, saline and drugs. It has a wide range of flow rates, from 0.5 to 150 millilitres per minute, covered with only two different heads. At the lower flow rates, useful for introducing medication, an accuracy of 2 per cent is claimed.

Muirie acknowledges that its accuracy is much less at the high rates, but says it does not matter, for under "surge" conditions such as an emergency transfusion of blood the patient would be closely and continuously watched anyway. It will do a complete transfusion of a newborn baby in only 12 minutes, he claims.

The pumping action is peristaltic, achieved by rollers which squeeze pulses of liquor smoothly through a flexible tube. It relies both on fine tolerances and electronic sensing on the rollers to adjust to the resilience of the tube and its contents and thus achieve accurate flow rates.

It also continuously monitors electronically the viscosity of the fluid it is pumping. It senses air bubbles or solids, for instance, and automatically stops pumping and sounds the alarm. "It means you can't put a clot into a patient." The pump, about the size of a fruitcake and built largely of plastics, is assembled from five modules, replaceable with just a screw-driver and spanner.

Alec Trustran Eve (left) and his two "marketeers," Gerald Marvin and Richard Muirie, with the Peritronic blood pump

Although Peritronics eschews manufacture, it has set up a "reference line" capable of making 250 pumps a month, to demonstrate that it can be done. This reference line, in production this week, is at the factory of a principal supplier, Printed Motors of Bordon, Hants, a subsidiary of Ransome Hoffmann Pollard, which makes the 3,000 rev/min, 12-volt printed motor drive. About £250,00 of the front money has been committed to tooling, says Eve. Bordon is essentially an assembly line where pumps are being assembled and tested, and licensees can be trained.

But Alec Trustram Eve and his 'marketeers" — Richard Muirie and Gerald Marvin—see the pumps as the trail-blazers for a succession of related biomedical products from the laboratories of Lintronics.

Thorn's unit-board telly

DESPITE EVERYTHING, the UK still seems to have something to offer the world in television, from Clive Sinclair's flat cathode ray tube to the Ferguson TX range.

The beauty of Sinclair's design is immediately obvious; what won Thorn Consumer Electronics, which makes the Ferguson televisions, the Queen's Award this year is harder to grasp.

The company manufactures two basic TV chassis, the TX9 and the TX10.

What makes them special is that they are single board chassis — all the components are mounted on a single printed circuit board.

It means in practice that a single chassis can be used to drive 14in, 16in, 18in and 20in (TX9) and 22in, 24in and 26in (TX10) television receivers without the need to change any component or electrical setting.

According to Thorn the single printed circuit board does the work of up to eight of the boards present in most modern colour television sets.

The board is actually parted into two sections in the TX10 chassis during manufacture with the larger of the two parts carrying the heavy components and the smaller section locked vertically into position carrying the signal circuitry.

Thorn has gained all the advantages electronics manufacturers usually hope for when they miniaturise their systems and use less components.

Power consumption has been halved and that means extended tube life, manufacturing costs have been cut, reliability improved and more options made available to the customer.

Perhaps the major sign of the times is the amount of attention Thorn paid to the digital display and home computer market.

It uses a single integrated circuit to give improved picture performance and data display—according to Thorn this integrated circuit "punches holes through the picture image giving a sharper display of data."

The new Thorn range seems to be the first TVs designed by computer with the computer in mind. More on 01-363 5353.

Steam up deep down

AN ENGINE designed to work half-a-mile deep in the ground, pumping steam into a reservoir of heavy oil—with the viscosity of treacle—to induce it to flow more freely, has begun tests in a Californian borehole.

The downhole steam generator, similar to a small jet engine but designed for a much longer and more arduous life, has been designed by Sandia National Laboratories, one of the U.S. Government's nuclear weapon research centres.

Mr. James Scott, director of energy programmes at Sandia, says Project Deep Steam is the non-nuclear energy project for which he has highest hopes.

Deep Steam, managed by Mr. Scott, is a U.S. Department of Energy project for enhanced oil recovery. The idea is to inject steam continuously into wells while leaving all pollutants from the steam-raising process itself sealed deep in the ground.

To do this, Mr. Scott's researchers have developed a steam generator only six inches in diameter, and 23 ft long, with a rating of 1.2 mW of heat. It will generate 800 cubic-feet of steam a minute at 260 degrees C.

The combustion and vaporiser itself is 44 inches long and burns diesel fuel pumped from the surface. Air and water are also pumped down the borehole.

The rest of the downhole steam generator consists of an instrument package providing electronic ignition controlling the combustion process and measuring temperature, pressure, etc.

The generator has been designed to operate continuously for up to a year at 260 degrees C and 1,200 lb per square inch pressure.

The first field test is being made near Long Beach, California, in conjunction with the Long Beach Oil Development Company and the city of Long Beach. The oil well is on a peninsula west of the city. It has been producing heavy oil for more than 50 years, most recently with the assistance of water flooding to enhance recovery.

The Sandia generator was first tested successfully on the surface, injecting its steam and combustion gases into an 800-ft oil reservoir through a borehole. This test reassured the researchers that the combustion products would not react chemically with the oil or tend to plug up the reservoir, slowing instead of enhancing oil flow.

Downhole steam generators are expected to need only two-thirds as much fuel as when operated on the surface, as well as recovering more oil at greater depths. The Sandia development is expected to operate at depths of more than one mile.

DAVID FISHLOCK

Machines on its own

A NEW dimension is claimed to have been added to productivity in repetitive precision-machining operations on large, heavy workpieces with the introduction by the Giddings and Lewis Machine Tool Company, Wisconsin, of an almost totally automatic machining centre.

The operator has only to maintain a regular supply of workpieces to a horizontal set-up table, start the mechanical transfer to the lathe, and remove the machined components from an adjacent unloading station, the company says.

The machining, involving up to 12 tool changes, is done automatically while other workpieces are being set up or removed in a continuous process which ensures the maximum utilisation of the machine tools.

The machining centre is claimed to be a logical extension of the vertical lathe principle in which the headstock is in the form of a horizontally-mounted table rotating under power-positioned tools.

With the workpiece held in the horizontal plane, setting-up to precise co-ordinates is simplified. Where the components are large or heavy, the manual effort needed in handling them is reduced.

Even so, machine down-time while the workpieces are replaced and set up accurately in the lathe is still uneconomic. But by using the chuck/work-table as part of the workpiece, and not the lathe, a valuable increase in productivity becomes possible.

In the G and L machining centre this table can be detached from the lathe in one quick-release movement; and by having several tables available one of them can be set up with its workpiece ready for transfer to the cutting station while the other is engaged in the machining operation.

In transfer only the table-drive mechanism needs to be located, so no readjustment of co-ordinates is necessary and down-time for each workpiece change is minimised.

From this advance the notion of a mechanical work-changer was developed. The G and L work-changer consists of a rotating stand, a set-up station and an intermediate transfer station with provision for power-driven movement the table/workpiece assemblies through their load/unload sequence. When the machined workpiece is removed, the tables are returned to the set-up station.

To complement the multiple-headstock concept, G and L has developed an automatic tool-changer from which any one of up to 12 tools can be selected in sequence, in accordance with programmed instructions, and returned to the tool-holder after use.

POINTERS

Quality tape drive

A BIG market in mass storage drives for computers as well as in the high fidelity and language laboratory areas is expected for a high quality cassette drive from Papst Motors of Andover, Hants (0264 53655).

An unusual design feature is that the laminations for the three DC motor stators are an integral part of the pressure die-cast chassis. The capstan and the two spools are driven directly from the motor shafts.

The unit can be operated horizontally or vertically at a linear tape speed of 1.2, 2.38 or 4.75 cms/sec. although higher speeds (9.5 and 19 cms/sec.) can be provided as an option.

The company claims that this new drive, known as the MDD 303, when running at 4.75 cms/sec. has a specification exceeding that of DIN 45 511/1 for studio tape recorders operating at 38 and 76 cms/sec.

Maximum deviation from rated speed for the MDD 303 is 0.2 per cent and the weighted DIN wow and flutter is 0.075 per cent.

The deck runs from 24V DC and consumes 0.65 amp. Operational temperature is 0 to 50 degrees C and the typical operating life is 5,000 hours. The weight is 1.55 kg and the drive measures only 140 by 95 by 76 mm which, it is claimed, is "half the size of any competitive machine."

THE ARTS

Statues

The mute memorials of London

by DAVID PIPER

A year ago, the proposed erection of two statues in particular in London provoked me to consideration of London's statues and their problems — that host of mute figures that stand, generally unseen by the inhabitants if dutifully observed by tourists, about the metropolis. The statues in question were of Charlie Chaplin by John Doubleday and of Field-Marshal Montgomery by Oscar Nemon, the first in Leicester Square, the other outside the Ministry of Defence in Whitehall. Both are now up. Reservations about the siting of both were expressed by some, including me. I was doubtful about the likelihood of Charlie Chaplin getting on well with Shakespeare as such a close neighbour; in fact, there is only one point (from behind Charlie, looking north-east) that the two can be seen together. From that angle, the conjunction is not happy (Charlie looks as if apeing Shakespeare), but the contrast has been diminished by the reduction of Charlie's plinth from the height originally proposed (six feet) by more than a half. That also goes far to answer the objection in principle to setting Charlie — the quintessential ordinary man in the street, the solitary in the crowd—on a pedestal to be devoutly looked up to. Montgomery though seems to me drear disaster for all except Monty-worshippers. In battledress he stares forth in that characteristic pose, hands behind back, legs apart. He is fourteen feet high. The problems of interpreting battledress into the formal idiom of heroic sculpture are difficult enough, without magnifying them to that scale, while the lack of courtesy to the neighbouring statue of Sir Walter Raleigh is gross: poor Sir Walter looks like a tiny fancy-dress mannequin in that company.

These are but two of the gradually increasing host. The lack of a guide to them has now been made good by the publication of Arthur Byron's *London Statues: a guide to London's outdoor statues and sculpture*. Published by Constable, it is modestly priced at £5.95, handily sized to go in a pocket, with over a hundred illustrations. It will be indispensable for all London perambulators, though they should perhaps be warned what it is not. It is not the work of a professional art-historian, nor for that matter of a social historian, or a town-planner, but that of a curious (and obviously energetic) *aficionado* of sculpture of all kinds in London. Thus there is no formal analysis of the style of the works listed, though sometimes a firm statement of approval or disapproval. Not that Mr. Byron is at all a mere mechanical lister — nice quirks of observation emerge, as of an item sighted at St. James's Hospital, Tooting: 'a competent bronze of a nude man though his position is unusual.' There are no references to sources, none of that 'learned apparatus' so beloved of art-historians. The material is usually but not always identified, as too the artist and the date of erection. Sizes are not often given, but one sees that in a great many cases that would be very difficult.

If the user accepts the book as annotated index, it will be found very helpful and a source for innumerable fresh discoveries in the streets and open spaces of London. I was astonished, and then somewhat ashamed, to discover how many of Mr. Byron's finds were unknown to me. It may well be, for example, that every contributor, at least, to the *Financial Times* is well acquainted with Frank Dobson's *Churchill*, but I doubt it very much (it is a mask, central in the astronomical clock over the entrance to Bracken House). How many travellers on the North Circular have paused dangerously to observe *La Délivrance*, an exultant nude celebrating the halting of the German armies at the Marne, where she stands near by the Finchley Road Junction ("perhaps the only London Statue to be sexy"). What statue features a bronze football, and which a bronze umbrella? The contents are formidably up-to-date. Marcelle Quinton's Bertrand Russell, in Red Lion Square, erected last year, is there, in an addendum, while Chaplin is fully incorporated, and illustrated, though his unveiling by Ralph Richardson must have just about coincided with the publication of this book.

Completeness is of course impossible in such a work. The author keeps mainly to free-standing works, though not only portrait statues and busts, but with sections listing subject sculpture, memorials, obelisks and columns, and war memorials. Inevitably, and I think quite properly, he has decided not to be too rigidly confined by his self-imposed terms of reference. Most of his pieces are sited outdoors, meaning that some favourites get missed out—like the strange marble statue by Gleichen, in the entrance to the Royal College of Music, of Queen Alexandra stately in the robes of a Doctor of Music, mortarboard and all, or the fine Chantrey of banker Coutts at the top of the escalators in his firm's dazzling new premises on the Strand. However, had the project ventured indoors, it would have been overwhelmed, even leaving out the contents of museums. The national pantheon of sculptured effigies is of course that majestic motley in Westminster Abbey, and its annex in St. Paul's. As it is, the author has shied away generally also from statues on the faces of buildings, noting merely that the Houses of Parliament alone bristle with 370 of them.

'Statues,' observes the author in a succinct foreword, 'have always been a mark of civilisation.' They have certainly been a mark of imperial power at its height, as most notably in Rome where Augustus was reduplicated a score of times in silver. So in London, judging by the statues, civilisation and empire peaked in Victorian times, and pre-nineteenth century statues are fairly rare. The earlier ones are though generally better in quality, or perhaps the really bad ones have not survived. Re-assessment of Victorian quality however is well under way, and the London perambulator armed with this book should discover merit of no mean quality in now lesser known sculptors like Homo Thornycroft (his *Gladstone* in the Strand) no less than in the best of the moderns. Epstein, once reviled, is represented fairly richly in fact, by some of his best as by one or two of his weaker works. The rightly beloved Madonna in Cavendish Square is his, and so too the formidable Trade Union version of a Pieta. Henry Moore is represented by no less than 19 pieces. The awfuls include the limp Byron by Richard Belt, erected in 1880 after an open competition. The author notes that the result of the competition was surprising but not that Lord Gleichen hailed the statue as the worst in London, and even more surprising — and much sadder—that Rodin was one of the rejected competitors. Amongst modern memorials, Jagger's great Artillery Monument at Hyde Park Corner is rightly praised as 'superb' (though the same artist's more modest but still highly impressive soldier in Paddington Station escapes mention). Both Byron and the Artillery memorial incidentally have suffered a fate that modern traffic has inflicted on many statues, especially when two or more are gathered together. They get corralled by the circling automobiles in the middle of a roundabout, as at Hyde Park Corner, Parliament Square, Trafalgar Square, approachable only across lethal roads or through insalubrious subways.

Emile Guillaume's statue commemorating the Battle of Marne

Ronnie Scott's

Johnny Griffin

by KEVIN HENRIQUES

Johnny Griffin may not be among the innovators of the tenor-saxophone but, to be sure, he is one of the most formidable players of the instrument in jazz and is proving at Ronnie Scott's that he need not fear comparison with any of the several highly rated ear-grabbing tenor-sax virtuosi around.

Griffin is certainly ear-grabbing. Arguably the fastest tenor in *any* town he launches into tunes with supreme self-confidence which he backs with self-evident technical mastery. Indeed at one phase in his career he seemed more concerned with displaying this facet of his style to the exclusion of all else. In recent years and noticeably since he began bringing his own rhythm section to Scott's (this is his third visit with them) he seems to have harnessed his surging energy, rid his style of unnecessary trimmings and elaborations and now, just 53, is playing as impressively as at any time in his long career which started in the mid-1940s with the Lionel Hampton band.

The opening number the other night was a vehicle for the tearaway Griffin whose careering solo was immediately most effectively followed by an unaccompanied piano chorus from Ronnie Matthews, the tension released when bass and drums eventually joined in. Here, as throughout the two sets, the humorous, ever-quoting Griffin was to the fore and the now almost mandatory tag from "The Kerry Dancers" inevitably surfaced.

Excitement also generates from his rhythmic feel which is exceptional. To Griffin all tempi are fair game and he clearly revels in changing the pace and with it the dynamic force of his playing.

Equally satisfying were several ballads, including a couple of his own compositions. Gem of all was his sensitive work-out on Duke Ellington's "Prelude to a kiss" in which there was more than a suggestion of the breathy vibrato of the legendary Ben Webster. But only a suggestion. Griffin's version was never too sweet or too sad: its brilliance was further illuminated by a mood-maintaining bass solo from Ray Drummond which was underlined by the delicate, caressing brushes of Kenny Washington. It was given a final polish by an extended coda from Griffin.

All three rhythm men are key figures in every number with pianist Matthews the outstanding soloist. In the ensembles it is the spurring drumming of Kenny Washington which captivates. Like most top-class drummers he does not boast a large kit. He accents and underlines all the time and is a soloist (perhaps over-featured in this role) of discretion rather than bombast.

Riverside Studios

Music Projects/London

by PAUL DRIVER

At an early evening concert in the relaxed environment of the Riverside Studios in Hammersmith on Sunday, Richard Bernas directed his Music Projects ensemble in Webern's op 24 Concerto, Ferneyhough's *Prometheus* (still fresh in the ears from Thursday's Lontano performance) and a revival of Jonathan Harvey's *Inner Light 1*, composed in 1973.

Inner Light 1, for seven instrumentalists and pre-recorded tape, initiated Harvey's "expanding" sequence of three works in homage to Rudolpf Steiner and based upon his ideas about religion, meditation and speech. The second *Inner Light* is a captivating piece for chorus, solo singers, players and tape, which incorporates a reading of Kipling's short story "They" and extracts from "Burnt Norton," St. John's Gospel and Steiner's own writings. It makes a transition to the bigger scale of *Inner Light III*, scored for very large orchestra (with Wagner tubas) and quadrophonic tape.

Because the first *Inner Light* is textless, its Steiner-esque significances must be sought in such things as the long meditational quiet with which it begins; the creation-myth symbolism of its interactions between tape "noise" and instrumental "timbre" out of which precise pitches are born, musical spaces defined and an elaborate argument finally sent on its way, whose sprightly, radiant climax balances the opening dark. The instrumental writing, whether flexible or strict, always has a certain gem-like purity; the integration with the tape is convincing and absorbing to follow: the natural liveliness of its idiom sets *Inner Light 1* far apart from the run of similar tape conceptions. Richard Bernas controlled his forces impeccably and all the playing had sheen.

Ferneyhough's *Prometheus* received a more gestural performance than Lontano had given it — Roger Heaton's clarinet solos were much more freely (and loudly) expressive than on the previous Thursday. I felt this was not what the work needed; that if anything it seemed more impenetrable for being less strict. Webern's Concerto was also played forcefully, though it was shapely. The Riverside's piano did not lend much sympathy here. Neither had the Riverside's publicity department, one suspected, done exceedingly much to encourage the whole valuable enterprise.

Wigmore Hall 80th anniversary concert

The Wigmore Hall celebrates its 80th anniversary with a gala concert on Sunday, May 31 at 7.00 pm, presented in association with Capital Radio.

Artists appearing will include Stephen Bishop-Kovacevich (piano), Gary Kerr (double bass), Benjamin Luxon (baritone), Lucia Popp (soprano), The Songmakers' Almanac, Sarah Walker (mezzo soprano) and John Williams (guitar).

Festival Hall

Missa Solemnis

by RICHARD JOSEPH

The enormous interpretive and executive problems posed by Beethoven's Missa Solemnis continue to prevent frequent, hastily assembled performances. On Saturday night at the Festival Hall The Bach Choir and Philharmonia Orchestra, conducted by Sir David Willcocks, presented it in association with The Royal National Institute for the Deaf.

Though the Bach Choir's reserves of secure, solidly placed high notes audibly diminished during the long and taxing *credo*, the overall attack and definition of the composer's wide-ranging dynamics was commendable. None of the individual sections was particularly strong, and the tone colours between them seemed poorly separated — the timbre of the altos is very like that of the sopranos in the same register — but the choir's corporate sound blended well and remained in tune much of the time.

Beethoven's solo singers are expected to be both uncommonly agile and uncommonly loud. Given a choice between these two requirements agility is preferable. Valerie Masterson's immaculately placed singing of the soprano part was clearly heard over the full archestra in sections where a bigger but less precisely focused voice might have been lost. Alfreda Hodgson's and Robert Tear's warmer voices and more extrovert manner did not blend well with Masterson's approach: each singer distinguished themselves in solo passages. Gwynne Howell's bass underpinned the quartet adequately, yet he made something, fulsome and theatrical (rather than intense and devout) of his solo at the start of the *Agnus Dei*.

In a work constructed out of intensely felt contrasts and knit together on a symphonic scale with the eliptical logic of this composer's late string quartets, continuity is a problem Sir David Willcocks tried at all times to find a similar basic pulse between adjacent sections, and his synchromesh gear changes comfortably steered the Philharmonia through the work. Strong articulation of rhythm and a really wide dynamic range were the casualties of this approach. One felt that the conductor was content to remain a reliable guide rather than an eager explorer of the beauties and extravagances of Beethoven's masterpiece.

Festival Hall

Elijah

by ANDREW CLEMENTS

With a second Festival Hall performance in little over a month and a near-capacity house, it seems that whatever calumnies may be heaped upon Mendelssohn's dramatic oratorio it will continue to be heard as long as there are choirs and choral societies to sing it. Sunday's account of *Elijah* was given by the Philharmonia Chorus and Orchestra conducted by Rafael Frühbeck de Burgos.

Anthony Payne's sensible and impartial programme note for the concert did its best to point out the touches—sometimes bold strokes—of Mendelssohn's genius throughout the score, without giving anything but short shrift to the vapid and second-rate. He still dealt kindly with the work, however, for many aspects of Mr. Frühbeck de Burgos' interpretation do little to disguise its weaknesses. *Elijah* is perhaps likely to appear more uneven to English ears than it would on the Continent, for when concentration falters we can hear in its naive dramatic sense the generations of empty English oratories that came after it. It was an endless stream that was only to be given respectability and potency by *The Dream of Gerontius*.

The Philharmonia Chorus enjoyed itself enormously; the highly competent quartet of soloists was Margaret Marshall, Alfreda Hodgson, Tom Krause (with only an occasional telltale mispronunciation: "woom" for "whom" in the opening recitative was rarely repeated) and Stuart Burrows. But it was curious that Mr. Frühbeck de Burgos should fall so easily into the received view of the work, making the grandest choruses such "Yet doth the Lord see it not" and "Then did Elijah the prophet break forth" empty and rhetorical, and doing little to mitigate the insipidity of "If with your hearts ye truly seek me." Curious irony also to see such an impressive display of healthily ventilated lungs sponsored by a tobacco company.

Arts news in brief

Imperial Tobacco is to sponsor yet another Glyndebourne production in 1982—Gluck's *Orfeo*, conducted by Raymond Leppard, produced by Sir Peter Hall, designed by John Bury, and with Dame Janet Baker making her final appearance on the operatic stage in the title role.

This is Imperial Tobacco's sixth consecutive production—this year it is financing Rossini's *Il barbiere di Siviglia*. Glyndebourne expects to spend £1,617,000 this season with 65 per cent of the revenue coming from the box office, 14 per cent from subscriptions, 14 per cent from sponsorship, and 7 per cent other trading income. Glyndebourne only receives Art Council support for its tours.

*

The Arts Council is writing to the approximately 250 organisations which receive annual subsidy inviting applications for the financial year beginning April 1, 1982. This year's letter states that the Council is determined to press the Government to close the gap between the resources which subsidised companies need to operate and what is currently available.

"You will, however, be aware, as we are," says the letter, "that the Government's published forecast indicates that total expenditure on arts and libraries will fall in 1982/83 to about 2 per cent below the 1981/82 level in real terms."

Final decisions on the award of grants for the year 1982/83 will not be made until the Government makes known its total grant to the Arts Council for that year. Criteria against which applications will be assessed are set out in the letter.

*

John Pritchard will be the next chief conductor of the BBC Symphony Orchestra. After prolonged discussions, Mr. Pritchard has been released from engagements in Europe and the United States to make his appointment possible, the corporation said.

He has been the orchestra's chief guest conductor since October 1979 and will continue as such until October 1982, when he will assume the chief conductorship on an initial three-year contract.

His remaining commitments prevent him from taking up his new position when Gennadi Rozhdestvensky's contract ends this autumn, but in the interim he has many engagements with the orchestra.

Mr. Pritchard is at present chief conductor of the Cologne Opera

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Nato must be consulted

THE ROW which is apparently brewing over the Defence Ministry 10-year review of Britain's *defence posture* has been inexorably creeping up on us for some time. On the one hand, the government of Mrs. Thatcher has been profoundly committed to the Nato pledge for a steady real increase in defence spending. On the other hand, there is an inherent implausibility, in political terms, in trying during a prolonged recession to increase defence spending over a number of years while cutting social welfare programmes. Finally, the escalating costs of all technologically advanced military hardware mean that even a steady increase in "real" spending, of 3 per cent a year, may not be enough to sustain existing defence commitments. Sooner or later, it was likely that something might have to give.

Struggle

The final conclusions of the current review are not expected to be revealed by the Defence Ministry until the middle of July. This week's Commons debate on the 1981 Defence Estimates is likely, therefore, to *be less illuminating about the* government's views, in so far as they are yet formed, than about the political line-up on the Conservative back benches. But Press leaks, and the recent speech of Mr. Keith Speed, Under Secretary of State for the Royal Navy, suggest that a major struggle is in progress between those who believe that *cut-backs should fall primarily* on the Royal Navy and those who, in extremis, would prefer to cut the British Army of the Rhine (BAOR).

If it is true that cheese-paring has achieved all it can achieve, and may by now be counter-productive, then it may well be sensible to contemplate a quantum reduction in the com*mitments of either the Royal* Navy or the Army over the longer-term. But it would be a grave disservice to the defence of this country to start from the assumption that the purchase of the Trident submarine-launched missile system should automatically be excluded from the analysis.

The cost of Trident, officially put at around £5bn but almost certain in the end to exceed that figure by a significant margin, is not responsible for current financial constraints. But it will substantially add to the budgetary problems in the late 80s and early 90s, which is the period included in the current review. If money were no object, it might be sensible to *buy the best available successor* to Polaris, as the ultimate re-insurance against a failure of the American deterrent. But since money is very much in question, it must be sensible to set the advantages of Trident against its disadvantages for the rest of our defence capability.

Capability

On military grounds, the choice between Army and Royal Navy cuts is a choice between weakening the conventional deterrent against a Soviet attack, and weakening the means of ensuring the possibility of American resupply of a conventional war in Europe. On the one hand, it seems patently undesirable to *weaken ground forces in Nato,* which are already at a disadvantage vis-a-vis the Warsaw Pact, and thus intensify the risk that the West might be forced to resort to the (uncontrollable) use of nuclear weapons. On the other hand, Britain's geographical position confers particular value on its naval role and its function as a possible staging-*post for the U.S.; and any given* level of savings would make a proportionally smaller difference to Nato's defence capability in Germany than in the eastern Atlantic. On balance, any major cut in the Royal Navy's role would be disturbing.

Arm twisting

On political grounds, however, the equation could look different. A reduction in BAOR would no doubt upset the Germans, and probably the Russians and Americans as well. Since Mrs. Thatcher is trying to build bridges with the beleaguered German Chancellor, it is not inconceivable that politics will dictate decisions which are dysfunctional on defence grounds, not just from Britain's point of view, but from that of Nato as well.

It is, therefore, of the highest importance that no decision should be taken without a thorough review in the alliance of the constraints facing the defence efforts of all its members. Quite clearly, American arm-twisting on the 3 per cent pledge is an attempt to deny that these constraints exist, but nationalist fervour is not enough. Sensible and realistic decisions are more likely to be taken if the alliance makes a joint attempt to face reality.

The challenge to Britain's coal

AN ASSUMPTION which implies that coal miners will be earning more than Cabinet Ministers *by the year 2000 is a* questionable basis for a "no-surprises" central forecast of future coal demand. It certainly provides no justification for abandonment of the British coal industry's programme of investment and modernisation, which is what Professor Colin Robinson, co-author of the recent Hobart Paper, "What Future for British Coal?", was in effect urging last year, when he gave evidence against the National Coal Board's application to mine coal in the Vale of Belvoir. However, as a warning against the dangers of protectionism and monopoly, and an antidote to the institutionalised over-optimism of nationalised industry managements, the Hobart Paper makes a valuable contribution to the debate on Britain's energy policy.

Uncertain

There is no need to accept the authors' assumption that the cost of coal production in Britain will rise as rapidly as oil prices (2.5 times) between now and the end of the century, to agree that there are very large risks in the development of Britain's coal resources and that forecasts of future coal demand are highly uncertain. But these uncertainties do not imply that Britain should abandon the policy of maximising coal output from efficient, high-productivity new mines, which has been backed by successive govern*ments since the early 1970s.*

What they do suggest is that there may be extremely high costs attached to open-ended commitments about subsidising low-yielding and unproductive collieries, about maintaining present levels of employment in the mining industry or about guaranteeing levels of coal demand in the future. The evidence of the past suggests that these costs are likely to fall more heavily on taxpayers rather than on energy-consumers. Which of these two groups suffers the more depends largely on whether governments subsidise the industry to enable it to charge competitive prices, or restrict energy imports in order to force consumers to pay whatever price the coal industry requires to break even. Subsidy is arguably the lesser of these two evils, but neither is *acceptable* as a *basis for* energy policy.

The Government's failure, earlier this year, to back the National Coal Board in its attempt to accelerate pit closures was certainly a retrograde step. It points to the growth of subsidies, rather than their elimination. But it would be an even more serious mistake *for the Government to attempt* to disguise these subsidies by putting pressure on coal users, particularly the nationalised electricity and steel corporations, to reduce coal imports.

More active international trade in coal could make an important contribution to reducing the monopoly power of Britain's coal industry. Even the relatively small quantities of coal which the electricity utility imports at present have enabled it to force the National Coal Board into a medium-term pricing agreement, which guarantees that coal prices will not rise more rapidly than the Retail Price Index. In the long run, given that Britain has substantial coal reserves that could be profitably worked at current international coal prices, greater competition would probably benefit the consumer by improving the coal industry's efficiency rather than by reducing miners' wages.

Investment

However, freer trade alone may not be enough to return the British coal industry to profitability and to protect both taxpayers and consumers, since the physical capacity for importing coal and the high cost of transport are likely to limit the growth of the coal trade in the medium-term. Trade will certainly not reduce the riskiness of the coal industry's investment programmes. The best way to minimise the risk of investment decisions and to make the coal industry face commercial realities would be to restructure the National Coal Board into smaller, more manageable and more financially accountable units with greater commercial independence. This is the sort of radical reform of the nationalised industries on which the Government should now concentrate.

A QUIET REVOLUTION

The robot comes of age

By Hazel Duffy

Robots are beginning to come into their own. First used in the 1960s, they have virtually taken over some areas of car production and are increasingly used in other industries. At present world sales of robots are around $350m, but the market may be worth $2bn by 1990.

WHEN *most people* think of robots, the image is still of a certain Italian car which is put together by humanoid machines dancing to the strains of Rossini. It was marvellous advertising, and Fiat could certainly claim to be one of the earlier users of robots.

Today, however, it is the car plant that does *not* use robots which is the exception. Ford, *for example, put in 38 robots* at Halewood when it was planning the new Escort lines, while BL's widely publicised robots at Longbridge, where the Metro is assembled, have almost certainly helped to boost the image of the car as a whole.

In the U.S., General Motors is ordering robots by the hundreds (it was probably the first automobile maker to instal robots in the late 1960s) while Ford reckons it will have 476 installed in its European plants alone by the end of next year.

In spite of this proliferation of robot power in the car industry, even the humblest robot continues to draw fascinated crowds whenever it is put on public display. Visitors to an exhibition at London's Science Museum, for example, watch spellbound as a robot performs its rather elegant gyrations.

Would it ever tire, ever make a mistake? It would not, of course, and that is the key advantage that the robot has over the human.

The comparison between human and robot, however, can be misleading. Development engineers, perhaps fearful of the damage that a robots versus jobs argument could wreak, *prefer* to call them "Universal Transfer Devices" (UTDs). They *stress* that the robot is really only another type of machine, and then confusingly go on to talk about its "shoulder, elbow and wrist joints."

So far, the tasks that the robot can take over from the human are fairly limited (see box) but there seems little doubt that in the next few years these will increase substantially. There are predictions that by 1990 the world robot market could be worth $2bn.

At present world sales of robots are probably in the order of $300-$350m, which implies a compound growth rate of around 30 per cent per annum to reach the projected figure. The hopes of the enthusiasts and development so far have already been enough to fuel the interest of Wall Street.

The two largest robot manu*facturers in the U.S. are* Cincinnati Milacron and Unimation (part of the Condec Corporation). Cincinnati Milacron, the largest U.S. machine tool manufacturer, identified robotics as a growth area several years ago. It probably has a market share in the U.S. of nearly 40 per cent, contributing sales to the group of *around $35m.*

This figure is the best estimate of Wall Street analysts—the group itself is determined that it should remain secret. Cincinnati Milacron's shares are currently priced at 35¾ and the 12-month high was 41⅞.

Other companies with robot interests which have a stock market quote include the Ransburg Corporation, which is planning a joint venture with Renault in the U.S. and Copperweld, which took over Auto-Place two years ago, and is a *subsidiary of Imetal, a French* group.

In addition, new companies are springing up almost every month, often started by somebody who has worked for one of the larger groups.

Mr. Michael Radeke, manager of the robots division at Cincinnati Milacron, says the industry today is like the *microprocessor business* 10 years ago. "Many of the small companies that started up then have since disappeared, and I think this will happen in robots. In the longer term, I think we will see a trend primarily towards larger suppliers, offering a range of robot types."

Unimation, whose president, Mr. Joseph Engelberger, is re*garded throughout the industry* as the founding father of the robot industry, is estimated as having about a quarter of the European market, as well as around 40 per cent of the U.S. market. It also sells into Japan via an agreement with Kawasaki. Unimation is determined to hold on to its European sales (it has opened a factory in the UK recently) in the face of growing competition from locally-based companies.

Foremost among these are ASEA, the Swedish group which last month announced it was buying the robot interests of Electrolux, and the Norwegian Trallfa group. Between them, these three companies probably account for 40 per cent of the European demand for robots, followed by Volkswagen (West Germany) and Olivetti (Italy), which account for another 20 per cent.

Other European manufacturers include Renault (now linked with the U.S.) and Fiat (through its Comau subsidiary), Kuka in West Germany, and a clutch of smaller Italian companies, each producing a particular robot type.

The UK industry is still in its infancy in spite of the fact that in the late 1960s it had an equal chance with the rest of Europe. For many years, Hall Automation — founded by Mr. Douglas Hall, a key figure in British robotics — was the only home-grown manufacturer. The company has now been taken over by GEC, and this week launches a new paint spraying robot with *which it hopes to increase its* exports.

Some new companies have joined Hall in the past couple of years, while there is considerable activity in the development of automation in areas such as flexible manufacturing systems—which involve several manufacturing processes — and small batch production. The 600 Group, for example, is working on the Automated Small Batch Programme (ASP) under a con*tract awarded by the Depart*ment of Industry, which involves several other British companies in the automation field, such as Kearney Trecker Marwin.

The UK lacks, however, a core robot industry such as has been developed in France, West Germany, Italy and Sweden through the requirements of *the motor industry.*

The profitability of robot manufacture, worldwide, however, is a lot more suspect at this stage than the enthusiasm of American stock market investors would suggest. Research and development costs are high, inevitably, in a technology which is changing rapidly, and it is likely that many companies are making robots at a loss. This knowledge is undoubtedly what is holding *back companies like IBM and* Texas Instruments, which are reported to have developed robots, from launching themselves into the market.

General Electric (GE) of the U.S. signed an agreement with Hitachi earlier this year which provides for an exchange of technical information, including that on robots. This sort of international tie-up may well become more significant in the industry, particularly as the Japanese—once reluctant to export their high technology—have demonstrated recently that they are anxious to come to licensing and sales arrangements in the U.S. and Europe.

Japan is regarded as the home of the robot and the current market is estimated to be worth around $200m against $80-$90m in the U.S. last year. Although the Japanese definition of a robot is more wide-ranging than in the U.S. and Europe, they are, even so, used far more extensivly in Japan than in other parts of the world.

The strength of the Japanese manufacturers — notably Kawasaki, Toshiba, Star Seiki, Hitachi and Mitsubishi — is that their robot divisions are integrated into much larger manufacturing groups which are themselves frequently users of robots. This gives them a wealth of experience in engineering the application of robotics to the manufacturing process.

The development of robots by user industries is not unique to Japan—in Europe, Renault, Volkswagen and Fiat have all started by making robots for their own purposes. GE's *experience in using robots* is extensive and could well prove to be a strength if it decides to launch into robot manufacture, while also in the U.S. major groups like General Motors and Ford clearly have the expertise to make their own robots.

General Motors, however, seems to have taken the route of sharing the research and development responsibility with Unimation, while Ford still prefers to buy from independent sources.

GM has also announced that it will be installing a complex welding sequence developed by Comau (Fiat) in seven of its assembly plants.

The greatest barrier to greater usage of robots and automated systems generally *so far* is not opposion by the trade unions, as many forecast it would be a few years ago, but lack of interest among managers. As investment plans have been curtailed by the recession, the task of convincing managers of the advantages of robots and automated systems has become increasingly difficult. Yet the few production engineers who have had the chance to use robots are convinced of their worth.

Mr. Nicholas Barnes, production engineering manager at fork-lift truck makers Lansing, has a Hall welding robot and a Unimation general-purpose robot in his plant under a scheme financed by the Department of Industry. Already, the company has devised a scheme for the electronic wiring of some of its models in which three rbots could do the work currently requiring 60 people.

"I can see numerous other tasks that could be undertaken by robots," says Mr. Barnes.

The robot of today does not really compare with the human that it is sometimes replacing. At the moment, it is deaf, dumb and blind and performs tasks like paint-spraying or welding which the human is quite happy to hand over to an uncomplaining, tireless machine.

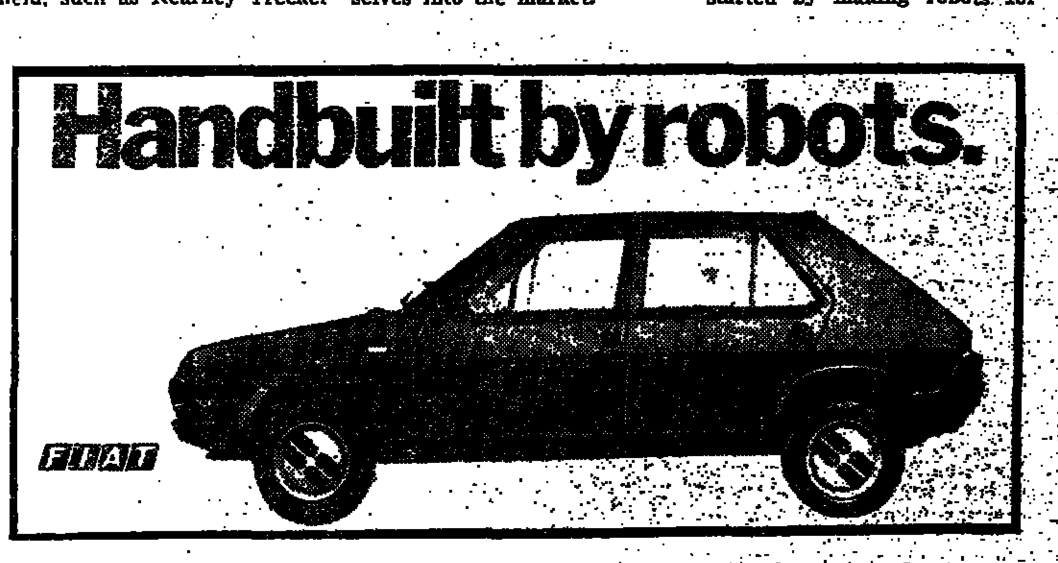
Yet as the Americans say, robots are "getting smarter all the time." Research and development work in the universities and industry aims to give robots the senses they do not have. To a limited extent such machines are already being used in industry.

"The assembly robot will have to create order out of chaos, which is the nature of assembly. The great advantage of the robot is that, being computer controlled, it can interface with other machines. At the moment, this is not a problem in large quantity production, where you can have a dedicated robot. But the future lies with making the robot effective for lower batch orders," says Professor Walter Heginbotham, president of the British Robot Association.

He thinks it will be five to 10 years before this particular nut is cracked satisfactorily and robots start doing some of the jobs which the human worker may be less anxious to give up. Once the robot revolution is truly under way, however, there are many who think that there will be no stopping it.

An industrial robot is a programmable device capable of performing a complex series of motor actions over a variety of processes. The term is usually applied to machines with some form of built-in control system but in Japan it also includes manipulators operated by humans.

They are used mainly in the metalworking industries, and particularly in the automotive industry. Their main tasks are: spotwelding, pressure diecasting, plastic injection moulding, spraying of paint, powders, etc., forging and extrusion, loading and unloading metal cutting machines, press loading and unloading, investment casting, and heat treatment.



The advertising campaign for the robot-built Fiat Strada

MEN AND MATTERS

That will do nicely, Sergei

American Express celebrates the 100th anniversary of the founding of its European operation this week — and a colourful century it has been, to judge from a brief history prepared by the company to mark the occasion.

American Express started in 1850 in Buffalo, New York, with Henry Wells as president and William Fargo as secretary. *Those two names passed into* American myth after corporate reluctance to extend operations west of the Mississipi led Wells and Fargo to strike out on their own.

The frontier tradition was not lost, however. When American Express began its major drive to establish offices in all major European cities, it appointed one *William Swift Dalliba to* explore the possibilities. Formerly a sheriff in Caribou, Indiana, Dalliba arrived with the reputation of being able to "toss a silver dollar in the air and plug it with a six-gun."

Dalliba's office empire spread, first to *Paris*, and then to the rest of Europe. While the First World War brought its particu*lar tribulations for most of the* expatriate managers, few could have seen quite so much action as one C. A. Bennett, charged with the American Express office at Petrograd during the Russian Revolution.

A stroll along Nevsky Prospekt one bright morning found Bennett somewhat startled by the appearance from one side of a mass of citizenry intent on storming the Winter Palace, and from the other a troupe of mounted Cossacks riding down the protesters and beating them with short-staved whips. "As I did not think this treatment suited my constitution," Bennett told head office, "I dived behind a large ornamental column while the Cossacks dispersed the incipient revolting mob."

Making for the police station, Bennett and his companion discovered that it had been looted and was now being burned. "We met a man with his arms full of swords taken from the station. He offered us one or two, so that we might assist in the revolution, but as we were not going in that direction we politely refused."

Enough was enough, decided Bennett, when armed men held up the American Express office "explaining that they needed money for the revolution." The long-suffering manager locked himself inside his office, carefully balanced the books, posted a report to London, clambered out of the office over a wall, rounded up his family and bundled them on to the last diplomatic train east for the departure via Vladivostock.

Bid and board

The last 13 years have brought a welcome change of fortune for Ronald Howard who yesterday moved up from chief executive to chairman of electronics and light engineering group Phicom.

Back in 1968, Howard was telling my predecessor: "I'm just sick of being taken over." *He had joined British Electronic* Products which was bought by Lancashire Dynamo which was acquired by Metal Industries which was swallowed by Thorn. Howard then quit for a job with AEI—and three days later GEC made its bid.

At that point, Howard plumped happily for a more secure life as deputy chairman and managing director of Southern Instruments, saying he might even initiate a few take-overs himself.

He duly got his chance. But only after a majority share in Southern Instruments had been acquired by Plantation Holdings. A year later, as PH chief executive, Howard began the expansion of its electronic and high technology interests in Britain which in 1979 were hived off to form Phicom.

Howard intends to continue the strategy that has lifted the group's sales to £35m, much of it earned in the export mar*ket. He believes in the efficacy* of small operating units with substantial management autonomy but firm financial control from his Centre Point office.

Phicom's longer-term growth is as assured as can be, he says. Its capital base is being strengthened by a recent £2.4m rights issue. It has secured broader balance by buying a *"life science" company in the* U.S. and joining with Rank to create the largest independent television facilities operation in Europe. It will be the major shareholder in Television South West which takes over the West Country ITV franchise next year.

Problems? The main obstacle to growth in Britain's high technology industry generally could *come from a dire shortage of* skilled technicians, says Howard. Some seven years ago he began discussing the problem with Tory Employment Secretary James Prior. Subsequent talks about his ideas bore their first fruits last week in the proposals for an Open Tech.

"It's an old favourite that deeply resents pruning"

Fare and square

The spread of the banking community westwards out of the City, coupled with the relatively high costs of lunching well within the Square Mile, have eroded what was once a quirkily rigorous entertainment protocol among London's money-brokers.

The code of the Foreign Exchange and Currency Deposit Brokers' Association prohibits putting any "sweeteners" a banker's way to secure custom. That everyday necessity, the business lunch, could in that light be seen as something of a tricky area. The rule which emerged, unwritten but observed, was that lunches were fine so long as they were within the City. But book into the *Mirabelle, and risk raising an* eyebrow.

Happily for hostelries west of Ludgate Circus, bankers in *partibus infernis* can now hope to be entertained on their home ground — but strictly according to status. "For a very senior man, you could go up-market. For a more junior one, you would tend to stay fairly local," *explains the association's John* Gunn.

Current affairs

Cancel your order immediately! It was a misprint! Readers of Lloyd's List who detected something of a yo-ho-ho element in the nether regions of last week's books page are put straight by *an apology this week, conceding* that Clare Francis's new book is called "Six Voyages of Discovery," not "Sex Voyages of Discovery," as it was styled in the review. Could they have been thinking of Rosie Swale? It's enough to make a sailor blush.

Observer

FINANCIAL TIMES SURVEY

Tuesday May 19 1981

Executive Cars

Under the impact of the recession, the executive car market is certain to see further shrinkage this year, as manufacturers compete fiercely for sales in the UK and Europe. It therefore remains a good time for buyers, as list prices are often just the starting point for sales negotiations.

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Signs of a fundamental shift in the market

PROSPECTS FOR THE SECTOR

JOHN GRIFFITHS

SOME MEASURE of the way in which the steam has gone out of the UK executive car sector is provided by one of its most typical products: the Ford Granada. In 1979, Granada registrations totalled 52,089; last year the figure plunged to 29,093.

That its sales in the first quarter of this year were down by approaching 40 per cent does not quite mean that it has fallen over a precipice—the first quarter of last year was a mini golden age, in which total registrations for the first time in a three-month period topped the half-million mark, prior to the onset of steep recession.

Nevertheless, the executive sector—with the particular exception of a few manufacturers—has suffered the most. While the market overall fell last year by 11.8 per cent, from 1.71 to 1.51m, sales of executive cars (though the term is a loose one) fell by about a quarter, from 220,000 to 160,000.

Few manufacturers now expect that there will be any significant upturn in the sector much before the end of the year, or until there is some firm evidence that an economic recovery is under way. But there is also evidence that a fundamental shift in the market is under way.

Ford believes that even in the executive sector there is now a marked trend towards rather smaller and more economical cars. In its own case, a proportion of lost Granada sales have been taken up by purchases of better equipped versions of the Cortina, with the process repeated further down the line: sales of the more utility versions of the Cortina being lost to the Escort, with the Fiesta holding the net at the bottom.

The other principal UK executive car, the Rover, in versions from 2.3 to 3.5 litres, has not fared so badly: sales last year of 24,240 compared with 29,756 in the record year of 1979. But Rover, too, is aware of the sea-change, a manifestation of which is that it plans to offer a 2-litre version, equipped with the "O" series engine which also powers the Princess and bigger Ital models.

Another straw in the wind is that the Talbot Tagora, a full-size executive car about to go on sale, has engine sizes ranging from 2.2 to only 2.6 litres. It is likely that a traditional and widely-used definition of the executive car, as being 14-15 feet long, a four- or five-seater and with engine of 2-3½ litres will soon be revised, at least in terms of engine capacity. The advent of new, lighter and more fuel-efficient engines—and of the now proliferating turbo-charger—stands to make capacities of much over two litres redundant for all but the luxury high performance sector, and even here Lotus has pointed the way towards what might be done with a 2.2 litre unit.

Prices in the executive car bracket range from about £5,500 up to £12,500, above which the luxury market takes over. The recently introduced "base" model Jaguar 3.4 just scrapes in: but even the Jaguar's replacement, the XJ40, scheduled for 1984-85, will be a much lighter vehicle with a reduced engine capacity.

Sales lost

If 1980 was a bad year in terms of unit sales, it was an even poorer one in terms of profits. The onset of a fierce price war last spring, in a bid to move a rapidly growing mountain of stocks, pared margins to the bone. Against price rises averaging 25 per cent during 1979, official prices rose by 13-15 per cent last year. But these had little to do with the prices at which many vehicles were sold, as dealers wrestled with the burden of 20 per cent-plus interest rates on stock.

With a continuing decline in stocks, as manufacturers have adjusted output to the stark realities of the marketplace, there are signs that the discounting, too, is starting to ease. Manufacturers have switched to a new tack, putting extra equipment into their cars for the same sticker price.

It is a trend which, however, has its disadvantages, at least in the executive sector. In the past, executive cars have tended to be sold with a lot of "extras," carrying high profit margins. They have been able to do so because the vast majority of executive cars are bought with corporate pounds (more than six out of 10 of new cars in Britain are bought for business use) and with tax allowances each pound really represents only about 50p.

Thus, some of the traditional extra profitability has also been lost, while at the same time the trend has, if anything, strengthened the hand of importers. The strength of sterling has allowed them to adopt the same tactics, with flexibility to spare, while still retaining a reasonable margin of profitability.

Importers such as Mercedes Benz, BMW, Volvo and Saab have, in general, stayed aloof from the discounting war. All have increased their market share, or even unit sales, despite the overall downturn. Mercedes, for example, increased its sales from 7,914 cars in 1979 to 8,876 last year, and is looking for a further 10 per cent increase in 1981.

All have tended to perform well in terms of residual values, and in the past months they have also benefited from ignoring discounting in that second-hand values have not taken the beating that has occurred elsewhere in the executive market.

A manufacturer who cuts his new car price by, say, £500, immediately devalues by a pro rata amount the similar used vehicle on the dealer's lost. Not unnaturally, that reduces somewhat the dealer's enthusiasm for trade-ins, and increases the customer's difficulties in achieving what he might view as reasonable trade-in prices.

The situation is exacerbated in circumstances, where the dealer is quite likely to be discounting the sale of the new car well below the revised list price. And it is made worse yet in the executive sector, because buyers of cars passing out of corporate hands are mostly private, paying out of after-tax income, and the high fuel and maintenance of the larger executive car is putting such cars increasingly beyond their financial reach. Thus, depreciation in the executive sector tends to be high.

Liquidity

In the circumstances, some companies have opted to retain their vehicles beyond their normal replacement period—often two years or 40,000 miles —not least because recession has presented them with their own liquidity problems.

Whether this is a wise course, in terms of potentially higher maintenance costs and an even greater gap between new and trade-in price when a change is finally made, is debatable. But it has been a factor in further depressing demand.

There are other factors: under the pressures of recession, many companies have called a halt, or at least severely restricted, the deepening and broadening of the company car pyramid to embrace ever lower levels of management. At the same time, the number of executives in employment has dwindled with the traumatic industrial shake-outs of the past 12 months.

The end result for the executive car market in 1981 is certain to be further shrinkage, at least in line with, and probably in excess of, the Society of Motor Manufacturers and Traders' forecast that the new car market overall will drop this year to 1.38m units.

On paper, it remains a good time to buy; "list" prices *remain just a starting point for* negotiation. But dealers have long memories. Vehicles sold at minimal margins could well face a frosty reception come repair, or trade-in, time.

The Talbot Tagora 2.2 GL

Prospects are now improving

RENTAL MARKET

LISA WOOD

THERE ARE only three UK companies which are seriously involved in the luxury car rental market: Avis Rent a Car; Hertz; and Guy Salmon Car Rentals, a BL main dealer which, some 12 years ago, started to hire cars as a service to customers whose own vehicles were off the road.

Both companies experienced a contraction in business last year but, according to Mr. Kevin Cooney of Avis, which is part of the Norton Simon Group, "the luxury and top end of the normal fleet of cars did not suffer as much as the bread-and-butter cars." However, it is estimated that turnover and demand in this section of the market could have fallen last year by up to 20 per cent.

Avis breaks its executive rental cars into three groups: self-drive luxury cars which include the Volvo, Porsche and Rolls-Royce, a chauffeur-driven service which caters for the "show business end of the market," and the top end of the normal fleet which includes the Ford Granada, Volvo and Vauxhall Senator.

This part of its business makes up about 10 per cent of the total Avis UK fleet.

In spite of the recession and increased petrol prices, Avis has not down-graded its luxury fleet. In fact, it now offers the new S type Mercedes-Benz and the Rolls-Royce Silver Spirit. Neither did it extend the turnover period for its luxury fleet —of about two years—despite high depreciation rates which affected the luxury car end of the market very severely.

Mr. Cooney said: "Prices now appear to have stabilised for second-hand cars so at least we can plan and set depreciation rates with more confidence."

Mr. Richard Salmon, managing director of Guy Salmon agreed that the bottom now appeared to have been reached in the second hand market and prices were starting to rise again.

He has not significantly extended turnover periods of his luxury fleet and cars are replaced usually after 12 months. "We have got to take a medium-to-long term view," said Mr. Salmon, "for the quality of our luxury fleet has to be maintained. There is nothing that kills the executive car market faster than a poor quality of vehicle and service."

The market, Mr. Salmon said, appears to be picking up. "We have to try and make sure now," he said, "that there are no violent fluctuations in rental rates. His company's rates went up by 10 per cent in March. "The executive car rental market is alive and well," he said, "but it is a very tight ship."

Both Avis and Guy Salmon concentrate their luxury car service in the London area. Avis, however, has a more international clientele because of the group's international companies. "It is still a very profitable part of our business," said Mr. Cooney, "despite the high risks involved."

Transport managers face complex problems

MINIMISING COSTS

JOHN GRIFFITHS

CONSIDER THE following scenarios:

It is the 1950s. Company X's car fleet is small; for reps. plus a very few executive machines for the board. Inflation is well within single figures, the new and used car markets stable. Running the fleet is uncomplicated. For the financial director, almost a plaything.

It is the 1960s. Company X has grown, and so has its fleet. Mileages are going up, particularly with the advent of the motorways. The financial director's plaything is turning into a headache. Company X appoints a transport manager—a reliable, long-serving middle rank executive perhaps a few years off retirement. It is a self-contained and useful niche which at the same time opens up a slot in the mainstream of the business for a younger man. The new transport manager, *perhaps with one secretary*, embarks on buying, running and disposing of the fleet of 150 vehicles with alacrity.

It is the 1970s. The fleet has mushroomed. To the growing number of reps' cars — of, say, Cortinas—has been added those of "perk" vehicles, now stretching well down from the board room to middle and lower management. The 500 vehicles now range from the chairman's Rolls-Royce, down through Jaguars, Rovers, Ford Granadas and a cluster of foreign vehicles for which many middle rank executives have opted following the board's decision to allow employees any vehicle they liked within certain price bands.

Best deals

The transport manager himself has retired, but his successor has inherited much the same operation, with the addition of an assistant and secretary or two. At the 500 vehicle level, he has his work cut out just to cycle the fleet, getting the best deals he can on new vehicle discounts and residuals. There is little or no time to concentrate on issues such as whether the company is being gently fleeced by servicing garages, or whether one of the sales force has a leaden right foot and is costing the company too much in repairs and petrol. Even if he had, there exists only the company's historical data—a mountain of paperwork—to work on.

It is November 1980. Inflation is declining from the 20 per cent-plus figures at the turn of the year, but still well into double figures. The car markets, hit by recession, are in turmoil. New-car discounting is at unprecedented levels, but there is a knock-on effect wreaking havoc with residuals in the used car market.

Company X is itself feeling the effects of recession and would like to postpone the replacement of vehicles, but to do that is to enter uncharted waters in terms of depreciation and maintenance costs beyond the two years or 40,000 miles replacement norm.

How does the transport manager make, or recommend the correct decisions, when even the last description is a very much simplified one?

The answer, in many cases, is that he does not make the correct decision, or gets his decisions only half right. At the same time, short of an outright disaster, there is little material available to the board to show he might be wrong.

It is because the transport field is getting so complex, and the variables are multiplying so much, that the UK's 6,500 companies with 25 or more cars are increasingly turning to fleet management by outside specialists. This tendency is magnified by the onset of recession, and the particular pitfalls of the executive sector, where depreciation in some cases can reach daunting proportions.

The concept is straightforward: the managing company takes over total responsibility for the fleet, buying, selling and monitoring of repairs and maintenance. This is undertaken on an actual cost basis. There are no margins for the managing company on sales or maintenance, and any savings made are passed on to the client company in full. The managing company does, however, receive a negotiated fee.

Whether the net result is a gain for the client company depends, obviously, on the expertise of the managing company. At present there are only a handful, though growing quickly, and claiming a net cost benefit averaging out at about 1p per vehicle mile, adding up to £100,000 on a 500-vehicle fleet averaging 20,000 miles a year.

Such companies have extra leverage in terms of cost saving in a number of ways compared with an individual company.

They can order cars in bulk directly from manufacturers on behalf of all their clients, in thousands rather than in tens or hundreds, thus making the most of any discounts available. However, the cars are delivered in the normal way through the manufacturer's dealer network, effectively giving the management company its own national network of dealers who regard it as a client, and the individual client companies a service connection both with the supplying dealers and others favourably disposed to it throughout the country.

In the case of servicing and repairs, management companies also stand well placed to get replacement and service parts at discounted prices.

An example of how the system works in detail is provided by Swindon-based PHH Services, a U.S. company which started up in 1946 and established a UK branch in 1972. It now claims to have 200 clients operating about 18,500 vehicles in the UK, and about half a million vehicles under its control in all.

PHH poses the example of a company based, say, in Slough with 200 vehicles, but 100 of these are actually scattered round the country at other branches and depots. Ordinarily, each user would get his vehicle serviced, and reclaim from the company, which would be processing 200 vehicle accounts.

In the case of the managed fleet, bills are sent instead direct to PHH, which pays the dealer. They are then assessed for fairness, with PHH claiming that one bill in five contains an incorrect charge. Included in its databank are items such as manufacturers' scheduled service and repair times to help carry out the assessement. Individual cars' service histories are also called up as a check on whether work charged for is justified. One bill, listing all spending at actual cost, is sent to the client each month.

Wide spectrum

As the management companies are monitoring actual new and used car sales across a wide spectrum, they claim also to be able to place a company's used cars into the second-hand market at the best price. Clients have the option to sell them themselves if they think they can get a better deal, but in practice few take this up.

The sheer variety and volume of cars handled allows a computer analysis of the experience of all client fleets, providing client companies with reference data on which to select vehicles offering least potential whole life costs. A common thread running through the advice is that fleets should be mixed, to avoid dependence on any single manufacturer.

There are many variations. A certain model from one manufacturer might average out as the cheapest vehicle to run in its sector but if the user has a strong dislike of that particular model it is better, the management company well argue, to give him something he likes rather more. The eventual cost could still be less than that for a car which has been mistreated by its resentful driver.

PHH and others, such as its U.S.-owned rival Gelco which also started up in the UK in 1972, claim that a primary advantage of their services is that they are impartial in their contacts with the motor trade itself, with no particular allegiances to manufacturers or dealers.

The manufacturers themselves are present in the field. Ford, for example, operates FACTS (Ford Analysis of Car Transport Statistics) and uses a computer-based system in a similar fashion to advise clients on all aspects of purchasing and running costs. Operators of about 60,000 cars draw on the Ford services.

About 80 per cent of independently managed fleets in the U.S. are now catered to by the specialists, but in the UK it is still a fledgling industry. PHH estimates that so far only about 9 per cent of the available market has been tapped in the form of either full fleet management or contract hire. The latter, in which the client company's spending is fixed, adds to costs but removes uncertainty, and is an option offered by management companies. Full-scale management, however, is regarded as having the brightest future.

Benefits in terms of cash flow

LEASING

DAVID FREUD

THE BOOM in car leasing since 1976 has always been heavily dependent on the tax background. So it is not surprising that there was a sharp setback in volume last year after changes in the 1979 and 1980 Finance Bills that undermined the tax advantages.

Nevertheless, car leasing looks as if it is here to stay. It remains attractive in purely financial terms. This is because leasing works through the passing on of capital allowances by lessors via lease rates to lessees. However, even for companies with taxable capacity—and therefore able to obtain capital allowances of their own —leasing still retains substantial attractions. The main one is in terms of cash flow.

Comparison

About 70 per cent of all new cars are purchased by companies, and the vast majority are still self-financed, with leasing and contract hire accounting for somewhat less than 20 per cent. This is a small proportion in comparison with the U.S., where up to 80 per cent of company fleets are non-self-financed.

The popularity of leasing has been based on the tax system, which after 1972 allowed buyers of assets to claim 100 per cent relief in the year of purchase. Businesses such as banks, which would not normally buy anything like sufficient assets to match profits for their own use, soon began to buy the assets and pass them over for the use of manufacturers and others through a leasing agreement.

In practice this meant that the investment incentive was shared, through the rates between the lessor who was deferring his tax liability until he has to pay tax on his rental income (which he could use to finance further leasing deals) and the lessee for whom the rental would be much lower than the interest rate burden of buying outright.

The growth rate for all leased assets is indicated by the figures of the Equipment Leasing Association, whose membership is dominated by the big banks and which claims to account for up to 90 per cent of the market. In 1971 the annual leasing undertaken by ELA members was £159m: by 1976 the figure had risen to £421m and in 1980 it was £2.4bn.

Car leasing was slower to get off the ground than the leasing of plant and capital equipment. The way was cleared by two decisions of the special commissioners for taxation in 1975, which ruled that cars could be treated in the same way as other equipment. Combined with looser credit controls introduced in July 1977, this allowed car leasing to take off. From £6m in 1976 the ELA figures rose to £468m in 1979.

Government — and Inland Revenue — dislike of this use of a tax policy designed to promote capital investment was exacerbated by some of the fringe schemes that initially mushroomed. So it was not surprising when the 1979 budget eliminated the 100 per cent first year capital allowance for leased cars and substituted a 25 per cent allowance, thus ostensibly putting the allowance on the same basis applying to directly purchased cars.

Loophole

Sir Geoffrey Howe said at the time that the discrepancy had "resulted in a loss of tax which is currently running at about £175m a year; and which could well rise to £200m if I take no action."

In fact, because of a loophole in the way allowances were pooled, it was not until April 1980 that capital allowances for bought and leased cars were made completely comparable. Until then cars could effectively obtain a first year allowance higher than 25 per cent in leasing deals by being pooled with assets which obtained a 100 per cent allowance. However, the 1980 Finance Act killed this possibility. So it was no coincidence that ELA car leasing business fell from £465m in 1979, to £348m last year.

In fact, the anomaly works the other way, for leased cars costing more than £8,000 are at a tax disadvantage compared with directly purchased cars. This is because only half of the value of a car above this level can be brought into account in computing capital allowances when it is leased or hired. A car bought outright, on the other hand, qualifies for full capital allowances whatever the price.

هكذا من الأصل

What price individuality?

To the executive, a company car is a lot more than an efficient means of getting from A to B.

It's a reflection of their company's confidence in them.

A measure of their status within the company.

And a suitable reward for outstanding contribution.

But not if the car looks like every other car in the company fleet. Can you really see the difference between all the Rovers? Or all the Granadas? At Vauxhall, we believe that individuals should have individual images.

And individual motor cars.

Carlton £6,634

Viceroy £8,545

Royale £11,617

The Vauxhall executive fleet of Carlton, Viceroy and Royale starts at 2 litres and goes on to 3.

But it includes five entirely different bodystyles and levels of appointment. So success is easy to judge.

THE VAUXHALL CARLTON

There are two Carltons, the Saloon and the Estate. Both are built around a lively and economical 2 litre engine.

Carlton is a sleek roomy car that from a company's point of view makes a very attractive proposition.

The Saloon has D.O.E. figures of 38.7 mpg at 56 mph yet still reaches 107 mph and gets to 60 mph in just 11.4 secs. (The 2.3 Granada takes 13.5 secs.)

The Estate is remarkable for its sheer capacity. With the rear seat down it can swallow more than a big Volvo Estate, and for good measure it has a greater payload. Carlton is also very attractive from the driver's point of view.

A very well specified interior ensures comfort, and Carlton, like all Vauxhalls, is built to make driving a pleasure.

As 'Motor' magazine said, "Its handling is immensely safe, for apart from having tenacious road-holding, it is predictable and progressive when the limit of adhesion has been reached" and went on to say that "high speed stability is outstanding." They were also kind enough to comment that Carlton "... is among the most comfortable and commodious medium range four door saloons."

The Carlton is obviously a spacious performer that will give considerable pleasure to its driver and its passengers, however long the journey.

THE VAUXHALL VICEROY

The new Viceroy is the next step up the Vauxhall executive ladder. A step up in engine size and in specification.

Viceroy has a smooth, six cylinder 2.5 litre engine that produces 114 bhp. Its top speed is over 110 mph and it maintains a powerful surge of acceleration throughout its speed range.

This really is a luxury express motor car.

As you can see, Viceroy isn't just a lookalike with a bigger engine. It's an individual saloon. And the standard features give it a feeling of exclusivity that anyone will appreciate.

Power-assisted steering, central door locking, adjustable height driver's seat, adjustable front head restraints, push-button mono radio/stereo cassette player and quartz clock are just a few items to conjure with. And the starting price of just £8545 will get envious glances from other car makers.

THE VAUXHALL ROYALE

And finally, the Royale.

The ultimate Vauxhall. This is a car that can hold its head up in the company of some of the world's most expensive and coveted machines.

Performance is all you would expect from a highly developed 2.8 litre engine. (Even more if you choose the fuel-injected 3 litre version.)

And, of course, the equipment is lavish. So lavish that the only optional extra, apart from the engine size, is air conditioning.

This is a car that says achievement and success. A car that ensures recognition, whether it's the Saloon or the stunning Coupé.

What price individuality?

With the Vauxhall executive range, the price isn't high. But the distinction is.

ALL PRICES CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX AND VAT BUT NOT DELIVERY OR NUMBER PLATES. DoE FUEL CONSUMPTION FIGURES FOR CARLTON SALOON MANUAL (METRIC EQUIVALENTS IN BRACKETS). CONSTANT 56 MPH: 38.7 MPG (7.3L/100 KM). CONSTANT 75 MPH: 30.7 MPG (9.2L/100 KM). URBAN CYCLE: 24.4 MPG (11.6L/100 KM). PERFORMANCE FIGURES FROM 'MOTOR' MAGAZINE AND MANUFACTURER. FOR DETAILS OF YOUR NEAREST DEALER SEE YOUR YELLOW PAGES OR RING LUTON (0582) 426388. FLEET ENQUIRIES (0582) 426295. VAUXHALL RENTAL (0582) 21122 EXT. 8721. PERSONAL EXPORT ENQUIRIES (0582) 426292.

VAUXHALL GM

EXECUTIVE CARS IV

Tax benefits are still considerable

COMPANY CARS

DAVID FREUD

THE COMPANY car is probably more popular in Britain than in any other country. And the main reason for this is that there are major tax advantages for an employee in having the use of a car owned by his employer, rather than owning one of his own, outright.

The car owner must pay for the running costs of his vehicle out of taxed income. But if an employee uses a company car for private motoring he will, at worst, be assessed on a scale far below the real value of the benefit. So even if his salary is reduced by the true cost of having a car provided, he will have substituted a low-taxed benefit for highly taxed marginal income. For many employees — those mainly earning less than £8,500 — the benefit is completely untaxed.

In these circumstances, it is hardly surprising that the system has come under attack from a Government, which, among its declared aims, has been to improve the workings of employment and other markets. The Government announced an attack on perks of all kinds in August, 1979, with the motor car as the main target. But there was a powerful counter-attack from, among others, the Confederation of British Industry and the Institute of Directors.

So, while there has been some desultory tightening up of the rules, the Government has not so far dared to challenge the system head on. So for the time being the tax incentives for company cars remain considerable.

Longer-term, however, the Government's position is that it will act to remove the anomally when the economic position allows income taxes to be reduced as compensation.

It is estimated that about 70 per cent of new cars are sold to the company sector. In tax terms, the main difficulty has been to distinguish between those which are genuine "tools of the trade" as used, for example, by company reps and salesmen, and those that are pure fringe benefits. One estimate, from the stockbrokers Simon and Coats, suggests that about half fall into each category.

In August, 1979, the Inland Revenue put out a consultative document in which it argued — with the approval of Treasury Ministers — that fringe benefits were seldom shared logically or fairly, between taxpayers, distorted the workings of the employment market and resulted in loss of revenue.

At a time when income tax rates had been cut, the Government was therefore keen to see employment rewards revert to cash. Since it believed that car benefits represented 80 per cent of the total value of fringe benefits, this was the first sector to be reviewed.

In a subsequent speech, Sir Geoffrey Howe, the Chancellor, backed up the case by stating: "Perks are an inefficient and often wasteful way of rewarding effort. And unjust. Some perks are taxed in full, others pay no tax on identical benefits.

"The whole chaos might almost have been designed to set people enviously against each other and so to bring our system into contempt."

But the opposition has forced the Chancellor to move very slowly in this area. In the 1980 Budget there were few actual changes to car taxation. Instead, the secondary benefits of interest-free loans and perks such as TV sets received attention.

Indeed, on the car front the main change was a warning of a 20 per cent uprating of the scale at which the benefit of the use of a company car was assessed — for 1981-82. This would only just take the coming year's inflation into account, and was a far cry from the Revenue paper which pointed out that, even in 1979, the scale benefit was only a third of the true running costs of a car assessed by the AA.

Warning

The 1981 Budget has been slightly more tough. Apart from a warning of a further 20 per cent increase for 1982-83 (considerably faster than inflation this time), all petrol provided for private use of a director or employee paid more than £8,500 is to be taxed from April, 1982.

At the same time, the business mileage requirement was raised from April, 1981. This means that the benefit will be assessed at 1½ times the scale rate where business mileage is less than 2,500 miles, rather than 1,000 miles as in the previous year.

However, the Government has not gone any further — so far — with the Revenue proposal to phase out the threshold for taxation—which applies to employees earning more than £8,500 or directors.

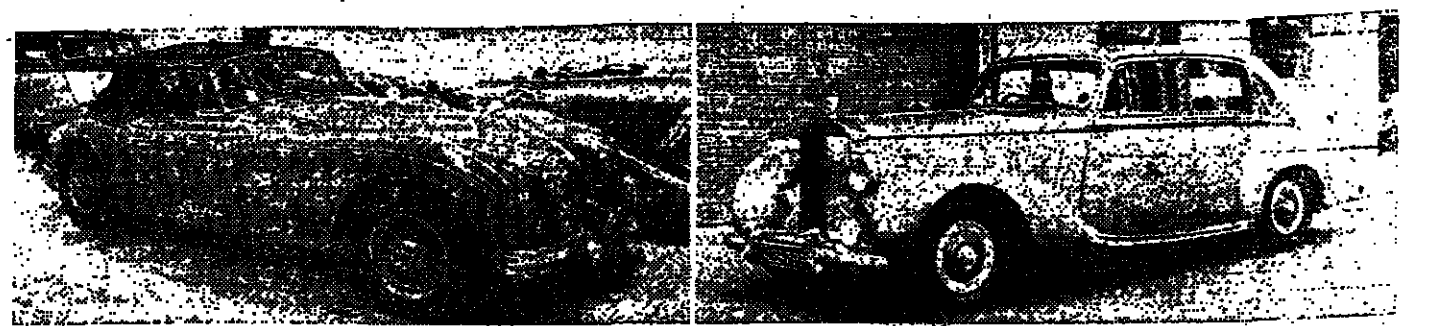
This threshold has been the rough and ready way used to differentiate between those cases where the car has probably been a "tool of the trade" and where it has been a perk.

In the 1979 paper, the Revenue estimated that about 0.5m company cars were provided to the higher paid and directors, and taxed accordingly, while at least 1m escaped the tax net entirely because they were provided to employees earning below the threshold.

But while the Government has not abolished the threshold, it has not changed the definition of higher paid employee since April, 1979. It looks as if the Government may be using inflation to stalk the problem in the same way as it is treating the £25,000 limit on mortgage interest relief.

By the end of the current financial year, the £8,500 limit will have been unchanged for three years and a significant proportion of the 1m who paid no tax in 1979 will be brought into the net as the true value of the limit is eroded. So it is no coincidence that the Revenue is pushing ahead with a plan to make employers deduct benefits in computing PAYE on a weekly or monthly basis — rather than the old system of provisional yearly codings with year-end adjustments.

It looks as if the Government plans to tax all users of company cars by this stealthy procedure, and then, when the economic conditions are right, to increase the scale to a realistic rate.



Above: Jaguar XK 150, drophead; Rolls-Royce Silver Dawn, 1954; below: Austin Healey 3000, Mk II; and Aston Martin DB6 convertible

Strong demand for classic cars

INVESTMENT PROSPECTS

STUART ALEXANDER

ADVERTISING MEN in their agencies buy them, high technology men in their laboratories buy them, film men in their studios buy them, entrepreneurs in a hurry buy them. For a select band of business executives comes the opportunity to reject the run-of-the-mill company car and, instead, indulge a boyhood dream and a return to a bygone era.

There is a healthy market in Britain for classic cars appealing to those who either wish to buy something more individual or who merely have a love of special cars.

The market has, however, been slightly depressed in recent times, when it was considered undiplomatic to drive to work in a large flamboyant car, while at the same time putting people on short time or even laying them off.

The recent strength of the pound has also had an effect on the international side of the market, but dealers specialising in these cars are confident that the lull is only temporary and point out that the reduction in their business has been no way near as severe as that in the sales of new cars.

There are drawbacks, of course—older cars need more careful attention and many would be unsuitable for the high mileage demands made in some quarters. But where average mileages are concerned, and some love is available, there are distinct advantages.

The first, and most obvious, is that many cars of this kind are increasing in value, rather than depreciating, and there are even savings to be made through some insurance companies who believe that drivers of classic cars are more careful.

However, extra care and cheaper insurance are not going to be the factors which turn a business executive's fancy to thoughts of Silver Cloud Rolls Royces, early Aston Martins, XK Jaguars and TF Alvises.

It now costs £6,400 to buy a Ford Cortina 2-Litre Ghia Automatic. It would cost about the same to buy a Jaguar XK150 Drophead, in good condition. It would cost considerably less to buy an Austin Healey 3000, also in good condition.

And for the man in the Granada class these are opportunities to buy a 1965 long wheel base Bentley S3 at £9,500, with a little bit more to spend it is possible to buy a Rolls Royce Silver Dawn, of which only 700 were built in the early 1950's, for £12,500.

So, if you can persuade your board that they can help preserve beautiful cars, make an investment out of their fleet requirements and can picture yourself bowling along the open road in a classic tourer—open top models continue to attract premium buyers—then the cars which were so admired in the days when appearances meant as much as practicality are waiting for you.

And there is the bonus that at weekends the company car would switch its roles from being a work-horse to a leisure activity.

Citizen's band radio offers wide opportunities

COMMUNICATIONS

ELAINE WILLIAMS

WHEN CITIZEN'S BAND radio becomes legal later this year it will open up tremendous opportunities for the motorist whether he uses his car for business or pleasure.

Already there are more than 250,000 illegal users of the system who claim that Citizen's Band offers many benefits. These include forewarning of bad traffic conditions ahead by other CB users, so that they can take diversions in time. CB users can contact emergency services quickly in case of accidents and CB can be used for making contact with home.

At present the Government is offering services on two different frequencies: 27 MHz FM—frequency modulated—and 928 MHz. However, there is still much argument over whether or not these are the most suitable frequencies on which to run the service.

Present illegal users want the service to be run on 27 MHz AM —amplitude modulated—which is already used in the U.S. Sets are cheap and readily available from the U.S. and Japan, and the sets have a long-reception range.

However, the Government chose the FM method of transmission—which was adopted recently in France—to cut down interference to present users of the 27 MHz band who include radio-controlled model enthusiasts and hospitals for radio pagers.

Opponents of the 27 MHz say it will still cause considerable interference even to television and denies British industry the opportunity to take advantage of the new market expected to be in the region of £1m to £2m a year.

Competition

A higher frequency around 41 MHz or even 200 MHz would have allowed UK manufacturers to produce sets free from foreign competition, they say. However they are equally unhappy with the choice of 928 MHz because sets would cost about £500 each to make compared with around £50 for the 27 MHz sets. At such a price, makers say there is little point in contemplating manufacture.

By the end of the year it is hoped the London automatic radiophone service will be in operation. This is being developed by British Telecom whose three equipment suppliers are Storno, Pye and Marconi.

At present British Telecom operates its RadioPhone system manually using telephone operators. The system is available in London and the major conurbations. However two years ago the maximum capacity of new subscribers was reached and more than 2,500 potential customers are on its waiting lists.

Motorists can also use radio paging. British Telecom operates a system in London and seven provincial centres, but the service is shortly to become available nationally. At present British Telecom's service only offers a bleep while that of Air Call, its major competitor, includes tone plus message (via a bureau). However British Telecom is examining the possibilities of an answering service in a joint venture with Nexos, the office automation subsidiary of the National Enterprise Board.

Air Call's car telephone—a neat unit about the size of a car radio

For some time the possibility of introducing Carfax, a radio information service for motorists developed by the BBC has been mooted. But difficulty in funding a permanent service has put this service's system in doubt.

What Carfax sets out to do is give motorists equipped with a suitable radio receiver details of traffic jams, accidents and road works which might affect their journeys.

The BBC's own estimates are that between £5m and £10m could be saved each year by reducing the amount of time motorists spend in traffic jams. However the cost of a full countrywide service would be in the region of £2m with annual running costs of £2m.

The Carfax receiver which can be built into an ordinary car radio is intended to automatically interrupt normal radio services to allow the driver to receive information about traffic problems within his or her locality.

The receivers are so designed that the Carfax works even when the radio is switched off. The plan is to create a nationwide network of transmitters to broadcast local and national traffic news and to use a computer to store up to date traffic information gathered from the police and motorists organisations.

If the system was to go into mass production, manufacturers reckon that a suitable receiver would cost about £45. However there is fierce competition in the shape of the ARI system developed by the West German company, Blaupunkt. This system has been operating successfully in that country for several years and has now been taken up by several other European countries, including Austria, Switzerland and Spain.

In principle ARI provides essentially the same service as Carfax—though ARI broadcasts are made using the existing radio transmission networks and does not need a separate system.

Robert Bosch, which represents Blaupunkt in the UK, would like to see the ARI introduced in this country too, and claim that it would cost only a fraction of the Carfax system to set up. In 1976 a short trial was run by the Independent Broadcasting Authority station LBC.

Bosch claims the system could be operational within three months of obtaining Government approval—it uses existing networks and motoring information sources.

However, in the light of the present restrictions on Government spending it seems likely that neither of the two radio information systems will make their appearance in the UK in the near future.

New systems to combat theft

CAR SECURITY

STUART ALEXANDER

STOLEN CARS and thefts from cars in London are now running at over 173,000 a year. The pattern is repeated in urban areas across the country.

Last year, 75,000 cars were stolen in the London area and although 50,000 of these were recovered in less than 30 days, less than 20 per cent of the remaining 25,000 were found. And at an average of only £4,000 per car, the missing 20,000 represent £80m.

The vast majority of "unauthorised takings" are by joy riders, but stealing cars for sale is proving increasingly difficult to combat. In addition to the re-spraying and re-licensing of bread and butter models for dispersal in the UK, there is a considerable international trade in prestige models. It is not unusual for stolen executive cars to be whisked out of the country within a matter of hours.

Thus, a major industry has built up in providing protection measures against cars and their contents being stolen and police forces make it a central feature of crime prevention.

Police advice is to keep the car locked, valuables out of sight, fit extra security devices and park in a safe place. Yet a recent survey found that 20 per cent of cars were left unlocked or with the boot unlocked.

Because vehicle security is not a major selling point, manufacturers have been reluctant to spend money on such equipment. Even another £1 spent on the locks of a Metro would have cost BL or its customers an extra £250,000 since production began. And there is some merit in having a variety of security devices which can be chosen by the public. All such devices start from the basic premise that a thief is likely to pick the easiest target, so that any delay or attention-grabbing noise is going to put him off very quickly

Devices

Deterrents fall into three main categories: visual, invisible immobilisers and audible alarms. Steering wheel and clutch locks, or for the hand-brake and gear lever, have been available for some time. Last year, the national Protecar security system was launched, entailing sand-blasting every window with the licence number. It is a very expensive business for a car thief to replace all of the windows and he is therefore likely to seek a more profitable target.

Unseen devices also can lock all four wheels, cut out the ignition and cut off the fuel.

It is also advisable to personalise the car in some unseen way, so that it could be properly identified even after re-spraying and the removal of engine and chassis numbers. It is a simple matter to scrape an identifying mark, telephone number or post code in the body work, hidden beneath the seats or to slip a postcard with a name and address inside the door panel.

Designs to suit all tastes

CONVERSIONS

ALAN WRAIGHT

CAR ENGINEERING and design has become decidedly clonal lately. The need to cut drag, in an effort to improve fuel consumption, has led most manufacturers to the same conclusions—thus, vehicles have come to look increasingly alike. There are also fewer body types, especially convertibles, on offer. This narrowing of choice has made the role of the car conversion specialist that much more important.

These companies will, within the bounds of technical possibility, tailor a vehicle to meet any customer requirement. Holes left in the market by the major manufacturers are plugged by cars such as Crayford's soon to be released soft top version of Ford's Fiesta—likely to sell at a highly competitive price of around £4,000 and the comprehensively-equipped bullet resistant Range Rover recently built by Wood and Pickett at a cost of £75,000.

Range Rover conversions have become a speciality of this Ruislip based concern, but the cars for which it is perhaps best known were the luxury versions of BMC's Mini that it produced during the 1960's.

The Mini was the first car to be accepted by all levels of society and Wood and Pickett became noted for its conversion work. Following an initial version, built at the request of the Boulting brothers, its list of clients grew to include heads of state and personalities from television and films.

Mr. Eddie Collins, Wood and Pickett's managing director, sees BL's Metro as fulfilling the same kind of role today. Before the launch he approached BL's Ray Horrocks, who enthusiastically embraced the idea of an upgraded Metro. Christened the Laser, the car was introduced at last year's Motor Show and featured, among other things, a turbo-charged engine, television, video cassette equipment and electrically controlled Ricaro seats.

TV installation may seem ludicrous to many but it is just one of the unusual options offered by companies in this sector of the market. Stereo headphones can be set in headrests and there is even the facility to have a combination lock for doors, operated electrically by a bank of push buttons set into the car's bodywork.

These more unusual items aside, the function of the specialist car converters is to give a customer an extensive choice of coachwork, engine specifications and trim. Their importance is no better demonstrated than in Lynx's convertible version of Jaguar's XJS. The first of its marque not to bear the distinctive design work of Malcolm Sayer, Lynx turns what has been referred to as "a flying buttress" into a sleek and aesthetically pleasing successor to the E Type.

More innovations in entertainment

IN-CAR AIDS

ELAINE WILLIAMS

ELECTRONICS has contributed to relieving the monotony of long journeys with a variety of items such as car radios, cassettes and the car telephone.

A recent innovation has been the design of so called trip computers which provided added information to the bored driver, such as average petrol consumption, estimated time of journey and distance travelled.

In future car aids may eventually include electronic route maps which could guide the driver from the beginning of his journey by indicating turn-offs on the way. In West Germany experiments have been carried out using ALI—which is just such an automatic guidance system. If the system proves successful in one part of Germany it could be extended countrywide.

Often a journey can be made more enjoyable if the car is more comfortable. Many manufacturers have been concentrating on this aspect of design with the result that there is often the choice of better and cheaper air conditioning systems.

Better sound proofing has cut external noise and the use of tinted windows has cut the glare of oncoming traffic.

It is even possible to buy electronically controlled car seats which can be programmed to fit the shape of the driver—other manufacturers offer seats which can be individually heated.

Cassette players and car radios are considered standard items for car entertainment. However, there are some developments being carried out by companies such as Philips in the Netherlands and Sony in Japan which could challenge these systems.

One of these is the digital audio disc — a design which is based on the technology for videodisc systems which are about to be introduced on the market. Videodiscs played like conventional records can produce pictures on ordinary television sets. The videodisc stores the pictures as tiny depressions which are coded in the same way that information is stored in a computer.

This system can be adapted for sound recording with the result that on only one side of a 5 in diameter record, up to an hour of music can be stored. Such a small disc would require a small player which could be fitted in a car and would have certain advantages over cassettes. The discs are rugged and the quality of sound is not affected by scratches on the surface of the disc itself.

EXECUTIVE CARS V

Survey reveals some surprising answers

BUYERS' ATTITUDES

KENNETH GOODING

HOW DOES the would-be buyer of a new car decide which model he will ultimately choose? It is, after all, probably the second-largest purchase he will ever make, after his house. And there are usually several models to choose from within the price he has decided he can afford.

These are questions to which the car makers are constantly trying to obtain answers. They spend heavily to gather relevant information and mostly keep it locked away from prying eyes.

However, a team of researchers at the Cranfield Institute of Technology's Centre for Transport Studies has thrown a small chink of light on this complex subject and made public the results.

With modest financial backing from the Government-sponsored Social Science Research Council, the team studied the attitudes and beliefs that underlie private motorists' choice of a new car.

The results often justified the old adage "there's nowt so odd as folks."

For example, one question posed to the intending new car buyers was "what are your expectations of a new car?" In other words, what attributes were they looking for.

The majority of respondents were concerned about good fuel economy—it was mentioned by 75 per cent—which was not surprising as the research was restricted to buyers of small and medium-sized cars only.

But the message that it is depreciation which is the major factor in the cost of owning a new car—most of them lose about 20 per cent of their value almost as soon as the first owner's name goes on the registration certificate—has certainly failed to make much of an impression.

Only 6 per cent of respondents mentioned "good trade-in value" as a reason for choosing their particular car.

Reliability also did not figure as highly as might have been expected, given the number of times I have heard motorists say: "What I want is a car that starts first time and gets me where I want to go, without trouble."

But with 40 per cent of respondents giving it a mention, reliability was the second-most-important element in the list of attributes.

The motoring writers will be disappointed to see that speed-related performance did not figure very highly in the reckoning either, accounting for only a 17 per cent response.

The old industry theory that "safety never sold a single car" is well-supported by the results. Only 5 per cent of respondents mentioned "good visibility" and a mere 3 per cent considered "good road holding" or "good brakes" a vital factor in their choice.

What must be stressed is that the limited resources available to the Cranfield team necessarily restricted the extent of the survey.

Research

Dr. John Towriss, who headed the team, hoped to obtain the views of 200 potential new car buyers. But the research was carried out on 10 successive Saturdays after the 1980 Budget when the bottom dropped out of the new car market. As a result, only 121 suitable respondents were surveyed because that is all the researchers could find.

They had stationed themselves in six showrooms in Bedfordshire and Northamptonshire. The manufacturers represented at these outlets were BL, Datsun, Fiat, Ford, Renault and Vauxhall.

The market research differed from that usually adopted in the motor industry in two ways:

(a) In many surveys of opinion among new car buyers, the owner is asked to rate certain features which the researcher considers to be important in influencing his or her choice of car. This might involve, for example, putting ticks in boxes or numbering from one to five various attributes in a list.

In contrast, people interviewed by the Cranfield team had to supply their own lists or voice their own opinions, without prompting.

(b) If attitudes and beliefs are to be reflected in the actual choice of car, then it is obviously better to interview new car buyers as closely as possible to the time at which the purchasing decision is made. That is why the interviews took place in the showrooms before the buyers took the car of their choice home.

Most other surveys, including those conducted by many manufacturers, are based on interviews with customers some time after the sale when their attitudes will certainly have been influenced by their experiences—good or bad—with the car after taking delivery.

Cranfield divided intending-buyers into two groups—those buying small cars and those buying medium-sized ones—and then asked what they liked or disliked about some leading models.

The small cars were: Ford Fiesta; Vauxhall Chevette; Austin Allegro; Renault R5; Datsun Cherry and the Fiat 127. The medium-sized cars were the Ford Cortina; Vauxhall Cavalier; Morris Marina; Renault R18; Datsun Violet and the Fiat Mirafiori.

Conservative

In addition, questions were asked about the person's job, family, annual mileage, previous cars, and reading habits.

Dr. Towriss reckons his study revealed "the public are very conservative in their choice of car. There is tremendous brand loyalty—if the car they bought previously does reasonably well, then they will buy another from the same manufacturer."

So conservative are potential purchasers that many of them didn't even bother to find out about competing models—some of them well-known.

While nine out of ten people interviewed knew about the particular Ford and BL models, seven out of ten about the Renault and Vauxhall models, only six out of ten knew about the Fiat models and only five out of ten about the Datsun cars.

Not surprisingly, considering it now accounts for one third of new car sales, Ford came out well in the survey.

"Everyone knew about the Ford cars. Everyone liked them. Even those who intended changing from a Ford to another make had good words to say about Ford," commented Dr. Towriss.

Although the questions related to the cars, the answers often reflected the respondents' beliefs about the companies which make them.

The researchers were hoping to obtain some useful material about why people chose British rather than imported cars.

But because potential buyers were not prompted by leading questions on this subject, the evidence was pretty thin.

Dr. Towriss says you might deduce an element of pro-British feeling among BL buyers because they tended to have a more favourable opinion of Vauxhall cars than people changing cars made by other manufacturers and, conversely, lower attitudes towards Renault cars.

In terms of intending buyers' beliefs about the individual models, though, there is not a simple stereotype of "British" and "foreign" models.

Viewpoints

"The belief that a car is 'foreign' and therefore 'bad' is almost exclusively related to the Japanese models. Indeed, in many motorists' eyes, cars from European countries are not regarded as foreign," maintains Dr. Towriss.

He is the first to admit to the limitations of his team's survey, but insists that there is a very fair chance that the results reflect the opinions of private car buyers in many provincial towns and cities throughout Britain.

He is very keen to do some follow-up work about attitudes in other regions of Britain (the manufacturers even keep their regional sales figures close to their chests), and to dig further into the influence the dealer has on the purchase decision.

With a little bit of luck, someone will come up with the cash to make it possible.

What do buyers look for most?

The following is a list of attributes looked for in a new car with the percentage of respondents who mentioned each attribute in a recent UK survey.

	%
Economy (miles per gal.)	75
Reliability	40
Comfort	37
Appearance/styling	21
Value for money	21
Spacious car	17
Performance/speed	17
Hatchback	13
Extras included	12
Good boot	9
Cheap spares and servicing	9
Compact car—easy to park	7
Rust free bodywork	7
Good trade-in value	6
Four doors	5
Good visibility	5
British car	4
Good brakes	3
Good road holding	3
Good reputation	3
Good engine	2

*Source: The Cranfield Institute of Technology. Centre for Transport Studies.

Big variations between European car prices

ALTERNATIVES FOR THE BUYER

KENNETH GOODING

EXECUTIVE CAR buyers can benefit the most from the huge difference in the prices of cars in the UK and in other Common Market countries.

Here are a couple of examples. Mr. TR is an international salesman who prefers to live in Britain where he was born, but was startled by the apparently "low" cost of expensive cars in Germany. He decided to buy a Mercedes in Germany and bring it back to the UK to save money.

He settled on a Mercedes 280 and ordered one from a dealer in Frankfurt. In the old days, the factory might have asked questions about why a German dealer wanted a right-hand-drive model. But the EEC Commission frowns on any restriction of trade between the Market countries—so, if a German dealer wants a right-hand-drive car, he will receive one.

After a time the car was ready for collection.

Mr. TR paid for it, including the 13 per cent German VAT, and drove it back to the Channel on German plates. After crossing the Channel, he pulled into the red Customs area.

There he produced an invoice to show he had paid the full price for the car—just like any German customer—and proved it was registered in his name.

Customs and Excise charged the 10 per cent UK car tax, and then 15 per cent UK VAT on the German price.

Mr. TR drove for some days in the UK on German number plates until he was able to register the car with the Department of Transport and receive a UK number for the vehicle.

The arithmetic on the exercise goes something like this:

The list price for a Mercedes 280 in Germany is DM 36,533 which, converting at 4.65 to the £, comes to £7,857. Add 13 per cent German VAT and the total comes out at DM 41,282 (£8,878).

During the half hour he spent in the customs at Dover, Mr. TR also handed over 10 per cent UK car tax or £888 plus 15 per cent VAT on top of the final figure, another £1,465.

So the Mercedes cost him £11,231, compared with the list price in the UK of £12,775, a worthwhile saving for a man who had to visit Germany regularly anyway — but worth considering, even if he had had to make a special trip.

How much you save depends on the car you choose. For if we did the same exercise with a Rover 3.5 we find the figures go like this:

The German list price is DM 27,849 (£5,989). German VAT adds another DM 3,620 (£778). UK car tax comes to £677 and VAT on top contributes a further £1,117. So the German-acquired Rover would cost £8,561 compared with the UK list price of £10,700.

The first point to be made about this is that the specification of the cars sold in Germany would not in every respect be the same as those sold in Britain.

They would not vary all that greatly and, most important, they would have the vital "E" mark which shows various parts of the car comply with EEC standards. To drive a new car in Britain without proper "E" marking is unlawful. However, there seems never to have been any prosecution over "E" marking.

There are two questions which immediately spring to mind from this exercise — the first is: "Why are UK car prices so high? Is the British customer being 'ripped off' by the manufacturers?"

COMPARATIVE CAR PRICES IN STERLING

Make**	UK Before tax	UK After tax	Belgium† Before tax	Belgium† After tax	W. Germany* Before tax	W. Germany* After tax
Audi 100 L5S	£5,370	£6,690	£3,607	£4,890	£4,467	£5,047
BMW 520 Auto	£6,542	£8,150	£4,270	£5,338	£5,043	£5,699
Ford Granada 2.8 GL	£7,537	£9,389	£3,912	£4,890	£6,089	£6,880
Rover 3.5	£9,056	£11,282	£6,490	£6,815	£5,989	£6,768
Mercedes 280	£12,281	£15,308	£8,013	£10,016	£7,857	£8,878
Peugeot 604 SL	£7,187	£8,954	£5,509	£6,886	£5,289	£5,977
Renault 20 TX	£6,162	£7,676	£3,919	£4,899	£4,445	£5,023
Volvo 244 GL	£6,580	£8,198	£3,725	£4,656	£4,505	£5,091

* Belgian francs converted at BFr77 to the £; † D-Marks 4.65 to the £.
** The specification of each car in different markets might not be exactly the same, but the prices shown here give a fair guide to differences between markets.

The relatively high car prices seem to be a legacy of our island heritage. The British manufacturers set the pace, and when the importers began to build up their presence, they followed the local lead.

It is good business to charge what the market will bear and Britain will bear more than most.

The differential in prices between the UK and Continental markets has been there for many years, but a number of factors now make the idea of buying abroad look much more attractive, despite the paraphernalia involved.

To start with, there is now the freedom to export the capital to pay for the vehicle. Then the high value of the pound against most other currencies has increased the differential.

And recently the recession has had a major impact on prices in Continental markets, particularly as far as bigger, executive-type cars are concerned.

The second obvious question to be asked about the previously-described operation is: "Why can't I save 13 per cent in Germany by buying at the export price?"

The answer is that, to do so you must become an importer. And if you import a car you must provide for the Department of Transport a "type approval" number before you can have the car registered.

In crude terms, type approval requirements ensure that certain standards of design, construction and environmental protection have been met.

It costs the car manufacturers or their UK distributors considerable sums to put every model they sell in Britain through these tests.

The manufacturer or distributor then guarantees that each one of the cars it sells in Britain is the same as the example which passed the type approval test by giving each car a so-called sub-MAC number.

The manufacturer or distributor therefore has a good technical reason for not giving his sub-MAC number to a car imported by any other organisation or individual.

They just will not give them, as some personal importers have found to their cost. Without a sub-MAC number a car cannot be registered by the Department of Transport. Without registration, it cannot legally be used on British roads.

The regulations which permit a person to bring a car to the UK were formulated to take account of businessmen who had been working abroad or servicemen who wanted to bring a car back with them when they returned.

So the regulations state a car need not have a type approval (sub-MAC) number to be registered as long as "the vehicle has been used by that individual or his dependents on roads outside Great Britain before it is imported."

The Customs and Excise take the view that a car can hardly have been "used," unless it was properly registered in the country of origin.

The key word is economy

THE UK MARKET

LORNE BARLING

THE BRITISH market for executive cars, supplied predominantly by BL and Ford, has suffered considerably from falling demand since the summer of last year, and there is now a marked trend towards slightly smaller, more economical vehicles.

Last year, the Ford Granada and the Rover, in all their versions, continued to dominate the market, with just over 29,000 of the former and around 24,000 of the latter being registered in the U.K. These are widely accepted as the ideal company cars for senior executives, with enough variations to meet the status requirements of large companies.

While the Granada has been available in smaller engine versions than the Rover, there are now plans by BL to introduce a 2-litre model, fitted with its O-series engine, a clear indication that the pressures for lower running costs are mounting. Rover is also planning a facelift early next year to improve competitiveness in what remains one of the most profitable segments of the car market.

The fall in demand for executive cars has continued in the early part of this year, and despite some small indications of an improvement, few manufacturers believe there will be a significant upturn until there is concrete evidence that the recession is ending. Many company executives are in the meantime retaining their existing cars.

The top end of the executive car sector, designated as the E-class by the industry, represented 3.87 per cent of the total UK car market last year and was dominated by Rover with 1.6 per cent or 24,241 registrations.

General Motors-owned Vauxhall/Opel held .21 per cent of market in this sector, mainly through sales of the Vauxhall Royale, considerably behind Volvo (1.22 per cent) Mercedes (.39 per cent) and BMW (.26 per cent), according to industry figures. However, the new marketing plans recently announced by Vauxhall and Opel are likely to mean a new challenge in the UK.

Although the new marketing plan, being masterminded by Mr. John Bagshaw, Vauxhall's new UK cars marketing director, covers the whole range of

CONTINUED ON NEXT PAGE

Unusually good value for money

U.S. MANUFACTURERS

STUART MARSHALL

THE AMERICAN car's potential as a business executive's personal transport has begun to be recognised in Britain. The awareness is likely to increase for several reasons, not least because the U.S. car is rapidly becoming smaller and therefore more suitable to this country's requirements.

The pound remains in a favourable relationship to the U.S. dollar and the American car, due to long production runs, is unusual value for money. But perhaps the most important of the factors that are helping sales to grow is the enterprise of small concerns, like America By Car, who have found ways of avoiding certain legislative restrictions on imports.

At one time the only way to buy an American car in Britain was to go to the officially appointed concessionaire, who would supply a vehicle, imported straight from the factory and unregistered, that had been expensively modified to meet the National Type Approval regulations. The unconventional, but now much more popular, way to become the owner of a 1981 model U.S. car, is to buy a personal import.

This is a car that has been shipped to Britain specifically for the purchaser's use and which has first been registered outside the country. The buyer may choose to take delivery here, in the U.S. (where he may have had the use of the car on holiday, avoiding a lot of rental fees) or on the European mainland. But it will have been registered in the U.S. and, at least in theory, will not be brand new.

Modifications

Thus it will not have to comply with the National Type Approval requirements though it will have to be modified to meet the Construction and Use Regulations. This involves changing the lights, the seat belts and the mirrors but not, for example, replacing all the window glass. Modified in this way, a car will be accepted for registration by the local vehicle licensing authority providing documentary evidence that it is a genuine personal import can be produced.

For the buyer, the main advantage in going for a personal import is price. His car will cost him perhaps 25 or 30 per cent less than the "official" figure recommended for a vehicle imported by the concessionaire and modified to meet the National Type Approval regulations. To those who argue that the personally imported car is in some way less safe than the official import, merely because it does not have National Type Approval, the entrepreneur makes this reply: "The U.S. safety standards are not lower than those of Europe, merely different. With the arch safety campaigner, Ralph Nader, on the car manufacturers' backs, not to mention a mass of Federal legislation, the U.S. car is at least as safe to drive as any European model."

The trade in personally imported U.S. cars is still on a small scale. At most, between 4,000 and 5,000 units a year are involved. Many of these will be decidedly second-hand cars that visitors to the States have bought cheaply and made their own arrangements to ship over.

One of the most popular buys among British businessmen is the Cadillac Seville, a large (by our standards) front-wheel drive saloon with a choice of a V8 or V6 petrol engine as a no-cost option instead of its normal V8 diesel. It is almost the same size as a Mercedes new S Type, or a Rolls-Royce Silver Shadow, and at about £14,500 it is a great deal of lavishly equipped car for the money.

Many "extras"

It has ventilated disc brakes, air conditioning, automatic transmission, cruise control and a lot of other "extras" as standard. The V8 engine has an electronically controlled system to cut out two or four of the cylinders when it is running on part load. The switch from V8 to V6 to V4 and back again is virtually undetectable, but it has a good effect on fuel consumption, which is around 16 miles per gallon of two star petrol.

It is not only price that appeals to the Cadillac buyer in Britain. A majority of them have had a Rolls-Royce in the past. They buy Cadillacs now because they want a change, they like a big car with sufficient power for easy driving and they insist on almost total silence.

A smaller General Motors model range, the so-called "X" cars sold as the Buick Skylark, Chevrolet Citation, Oldsmobile Omega and Pontiac Phoenix are growing in popularity. These, too, have front-wheel drive and European-style transverse engines which are either 2.5 litre four cylinder, or 2.8 litre V6.

As with the big Cadillacs, these "X" cars can be ordered with so many optional equipment and trim items that they are virtually tailor made to the buyer's demand. Prices vary considerably according to the equipment specified, but a typical Buick Skylark, which is exactly the same size as a Renault 20, would cost a little over £6,000, including automatic transmission, power steering and air conditioning.

Most American imports, with the exception of some Jeep four-wheel drive vehicles and the Ford Mustang, have left-hand drive. The U.S. car industry has not been export-orientated and the thought that Britons might wish to buy them with right-hand drive did not occur at drawing board stage. It is possible to convert them, once here, but it is costly and sometimes complicated.

Britain remains a large market

SWEDISH CARS

MATTHEW SYMONDS

SWEDISH EXECUTIVE cars mean, quite simply, Saab and Volvo. What both makers have in common is that, by industry standards, they are "midgets" which, with a home market of only 8m inhabitants, are compelled to export the bulk of their output.

For both companies, Britain has traditionally been—and remains—their second most important overseas market, after the U.S. This year, Saab hopes to sell 10,000 cars, while Volvo is aiming for sales of around 46,000, although well over a third of those will be accounted for by the smaller 300 series car.

In terms of the "executive segment" of the UK market, the Volvo 200 came third last year with over 12 per cent of the market, while Saab finished sixth with 4.6 per cent. In a declining market for large cars, both companies are expecting to increase their shares substantially.

For Volvo this performance is all the more remarkable because the 200 series is basically a rather elderly design, dating back to 1967. Since then, the car has been face lifted numerous times and has been developed and refined in almost every area. However, it remains a big, heavy car which shows its age in a somewhat harsh ride and ponderous handling, although the latter has been much improved in recent years.

Volvo's are not about change merely for the sake of change. It is sold as a safe, solid, reliable and durable car. An important part of the Volvo's enduring popularity is its relatively low depreciation in a market in which some rivals are worth only 30 per cent of their original price after a couple of years.

Another factor is that the basic 244DL at £6,656 is "a lot of metal for the money." Evolution, rather than model changes every other year, has enabled Volvo to stretch its limited resources and still offer a big package at a competitive price. The range works its way in stages up to the V6-engined 265 GLE automatic which includes every conceivable luxury, including air conditioning, for just under £11,000.

How long Volvo can continue to rely on its renowned ruggedness is another matter, although the English middle-class's love affair with the huge estate cars will probably endure.

Secretive

The company itself is very secretive, but a new car is expected to be released in Sweden at the end of the summer and should find its way here by the New Year.

Industry sources say that it is fundamentally a re-skin of the 200 series, but will be more refined and should be lighter.

Despite the similarities between Saab and Volvo, the products and the design philosophy of the companies could not be more different. Where Volvo has always gone for the tried and true, Saab—perhaps partly because of its aerospace division—has always regarded itself as an innovator.

Four years ago, however, Saab's UK trading arm appeared to be in dire straits. The aged 95/96 was about to cease production and even the 99 was in its eighth year and looking a little lacklustre. Sales had slumped from a high point of over 11,000 to just over 4,000 and the whole UK operation was in trouble.

Then came the Saab Turbo. The Turbo was used by a new management to give Saab a fresh and more sporty image, which enabled it to prepare the way for going up-market with the introduction of the 900 series in March, 1979.

Essentially, the 900 was a development of the 99, extended from the "A" pillar.

The 900 represented a major change for Saab in that it was aimed fair and square at the executive market, whereas earlier cars had been sold typically to professionals living in rural areas. Brutally, some observers said that Saab's old customers, though loyal, were not sufficient to form a basis for the future.

The Turbo has enabled Saab to rival competitors like BMW, Rover and Mercedes in the performance stakes, without having had to go to the enormous expense of tooling up for a low-volume six-cylinder engine.

Reputation for reliability

WEST GERMAN MANUFACTURERS

LISA WOOD

OF ALL the main West German cars on the UK executive market, those of Mercedes-Benz are probably the most prestigious.

For although BMW and the Volkswagen-Audi group also sell well in the UK, the Mercedes-Benz product has consistently maintained its image to the British businessman of solid reliability and luxurious motoring. The new "S" type series, launched at the National Exhibition Centre last year, was hailed by critics as everything the executive car ought to be.

Last year was the best ever for Mercedes-Benz (UK) with sales reaching over 10,000 while January, 1981, was the company's best month ever with 1,521 registrations. Sales for the first quarter of 1981 in the UK were 14 per cent up on last year.

Mr. Jonathan Ashman, the UK marketing manager, said: "We are limited, however, by supply, and there are quite long waiting lists of up to two years for some of our models."

This can have unfortunate consequences—some advertisements offer the 500 SEL for up to £28,000 (the retail price being less than £25,000), and the avoidance by private importers of the dealership network. This particularly disturbs Mercedes-Benz as it confounds the very sophisticated servicing network it has established in Britain. A staff of more than 800 people service Mercedes' customers needs in the UK and customers are offered a high degree of back-up facilities.

This year, the Mercedes' customer has been offered a very significant "extra,"—an anti-skid braking system which is being produced for all models. Mercedes-Benz says that "at £830, it is an expensive extra, but it only has to work once to save your life. Many of our business-owner customers are also viewing this system in the light of an 'insurance policy' against accident damage which would lay up their cars."

Britain is Mercedes' fourth largest export market, while it is the fifth largest export market for BMW which sold about 13,500 of its models last year in the UK. Britain is unique to BMW in that sales of up to 20 per cent are accounted for by its more expensive models, including the 7 series while in other export markets, and West Germany, sales of these cars run at between 5 and 7 per cent of total sales.

BMW, whose cars, ranging in price from £5,355 to £20,990, are advertised internationally as bought "for the joy of driving," are aimed at a younger, more sporty market, than, for example, the Mercedes-Benz customer. However, like its competitor, there is a great emphasis on technological advances — BMW will shortly introduce a service interval indicator on some models.

This involves a built-in computer in the vehicle which monitors the car's vital functions, such as engine cold-starts and performance in the light of its use. When a service is needed—at either 5,000 or 15,000 miles, for example, depending on the use of the vehicle, the appropriate light flashes.

One of the "cleverest" cars to come onto the UK market from Germany is the Audi Quattro, a turbo-charged 2.2 litre four-wheel drive machine. Priced at about £14,500, imports of this model started coming into Britain about one month ago. VAG (the VW-Audi group's new name) emphasises, however, that the car has a very specialist market and sales of about 200 to 300 are being sought this year.

In the general Audi range—prices starting at about £5,500 for the Audi 80—sales in Britain have been slightly depressed compared with last year, with the group selling 5,200 in the first four months of last year, compared with 4,500 in the same period this year.

Increase in technical innovation

JAPANESE CARS

ALAN WRAIGHT

THE JAPANESE approach to car design has shown a marked contrast to that of the Europeans and Americans. The emphasis has for long been placed heavily on hard marketing, and any rapid advance in technical development has gone by the board.

The signs are, however, that this is about to change. Two new models, recently introduced in Japan — the Toyota Soarer and Datsun Leopard—demonstrate the importance that Japanese car manufacturers are now placing on technical innovation.

To some extent they have been forced into this position. The operation of import quotas (albeit voluntary) in the U.S. and Europe, dictates that the Japanese should introduce more sophisticated and higher priced cars if they are to improve profit margins. But more important still has been the "downsizing" programme instituted by American manufacturers.

The Japanese are aware that the Americans can probably beat them on costs. They have therefore decided to upgrade the specification of their cars. For inspiration, they have looked to Europe—more specifically, in the case of the Soarer, to BMW and Mercedes, against whose models it is aimed to compete.

This is immediately evident from the car's styling. Gone are the floppy curves usually associated with Japanese car design and in come lines which are more crisp and square. Indeed, the Soarer bears a remarkable similarity, in appearance, to Mercedes' SL models.

Toyota has stuck to convention with the engine in the front and rear-wheel drive, while four of the models in the range are powered by the factory's current 2-litre four-cylinder engine. For GT versions, however, a new 2.8-litre twin-overhead-camshaft straight-six power unit has been produced.

Beyond this, the biggest advance is in the level of ancillary equipment on offer. Advanced electronics have been brought into play.

Advantages

Whether one necessarily needs a computerised voice telling you to fasten your seat belt or turn off the lights, is a matter for question. But there is no doubting the benefits gained from the inclusion of such features as electronic skid control, microprocessed automatic air conditioning and a cruise computer.

Electronics also look after fuel injection, while more conventional clocks, such as speedometer and the rev-counter, have been replaced by a digital graphic display unit, which gives a read-out of road and engine speed, and "touch" type switches have been introduced.

The car represents a milestone in Japanese car development, as does the other important new model, the Datsun Leopard. This, too, boasts electronically controlled fuel injection and ignition systems, as well as rack and pinion steering and self-levelling rear suspension.

It also shows with its drag co-efficient of 0.37, the advances being made by the Japanese in improving aerodynamics.

It would appear that these two cars have the ability to give the Japanese a real presence in the executive car market. A Japanese car to compete against the likes of Jaguar, BMW and Mercedes may not be given much chance by many critics but, then, ten years ago few would have thought much of Ford's chances of moving up market.

This aside, cars from Japan which come even close to warranting an "executive" tag are still decidedly thin on the ground. They can be narrowed down to eight main contenders — the Colt Sapporo; Datsun's Laurel and 280 sports; the Mazda RX7: Toyota's Cressida GL and Crown; and Honda's Prelude and Accord.

All are remarkably well-equipped but (with the possible exception of the RX7, Toyota's new Cressida and the two Hondas) they show that Japan still has some way to go if it is to reach European standards of ride, handling and style.

Japanese manufacturers have the ability to do this. The RX7 — the only mass-produced car ever to make successful use of a rotary engine — displays the Japanese capability to overcome, basically, any engineering problem. The manufacturers' rate of technical development is now rapid but, as far as executive cars are concerned, there is a strong case to be made for waiting for what is to come.

Shockwaves are still being felt

FRENCH CAR PRODUCERS

LISA WOOD

THE TAKE-OVER of Chrysler Europe last year by Peugeot-Citroen sent shock waves through the latter's dealer network in this country which have not settled yet.

Total Peugeot sales in Britain—comparing the group's performance in the first three months of this year with the same period last year—have fallen as a percentage of total UK car sales. The executive range offered by the group has been hit particularly hard.

Peugeot said: "Like all manufacturers we have suffered, particularly in sales of larger cars, but we appear to have done worse than most in the UK market. This can, in part, be put down to the merger with Talbot and the integration of sales and marketing operations.

"Dealers are still uncertain about what the merger involves, as the new identity is still being forged and sales operations are being worked out."

Peugeot's best selling car in the UK is its 104, the small family saloon and sales in the executive range are concentrated in the 505 and 604 ranges.

In 1980, sales of the 505 range accounted for 0.32 per cent of total UK car sales and 17.09 of Peugeot's sales in this country.

Figures for the first quarter of 1981 show this has fallen to 0.14 per cent and 11.4 per cent respectively. During the same period, sales of the 604 series, available in diesel and petrol like most European cars have fallen from 0.08 per cent (4 per cent of Peugeot's sales in the UK) to 0.03 per cent falling from 4.4 per cent of total Peugeot sales in Britain, to 2.8 per cent.

Although part of the same group, Citroen is maintained as a completely independent company and its 270 dealers in Britain have not been affected by the merger.

Competition

Citroen includes its whole CX range—from the CX Reflex to the CX Pallas—in the executive range of cars, bringing it into competition with a wide range of other cars in the market including the Peugeot 604 and 505 as well as the Ford Granada, BMW 3 and 5 ranges and the Leyland Rover. The number of executive cars sold, as a percentage of total sales, has remained fairly stable although total Citroen sales in the UK have fallen over the last 12 months.

At the end of March, 1981, Citroen sold 8,123 cars in the UK, the CX range making up about 17 per cent of this as against a similar percentage in the same period last year when Citroen sold more than 10,000 cars in the UK.

Like most other executive car manufacturers, Citroen has been up-dating models—the CX Pallas and Prestige now having fully automatic gear-boxes while the CX Reflex 6426 was introduced in a five-speed model in early April.

One of the most interesting new models from France this year is the Renault 18 Turbo, unveiled at the Paris show last October and now on sale in Britain at £6,589. Renault say that sales of the R18 Turbo are "very encouraging" and it anticipates sales of some 3,500 this year, of the car it describes as combining the functions of a family saloon and an executive car.

Its most popular fleet sale car in the UK is its 18 range, making up, in the first quarter of this year about 1.53 per cent of total UK car sales, compared with 2.23 per cent in the same period last year.

The Renault 20 and 30 series, the company's more expensive products, have been similarly affected. For example, sales of the 20 series in the UK made up 0.26 per cent of the total UK market in the period January-March this year compared with 0.40 per cent in the same period last year.

Racy image has strong appeal

ITALIAN MANUFACTURERS

LORNE BARLING

ITALIAN EXECUTIVE CARS which are imported into Britain are mostly high-performance models with a racy image which appeals increasingly to middle managers who prefer to drive a car which sets them apart from others.

Although many companies rigidly maintain a buy British policy, pressure from within means that more are now allowing a choice of cars made within the EEC. This has been welcomed by Italian importers such as Alfa Romeo and Fiat—which also offers the Lancia range.

Last year, Alfa Romeo imported around 10,000 cars into th UK, of which around 40 per cent were the recently introduced Giulietta, now available with 1.6, 1.8 and 2.0 litre engines, the latter appearing in the spring of last year. With prices ranging from between £5,400 and £6,100, the variations are seen as suitable to span the requirements of middle and lower management.

Well received

The more expensive Alfetta models retail at £6,600 and £7,700, while the top of the range Alfa 6 was introduced to the British market in the middle of last year and is now selling in limited numbers, although it has been well received.

Priced at nearly £12,000, the GTV 6 Coupe has a new V6 engine and a top speed of 130 mph, putting it in the same category as the Porsche 924 and the upper range of BMWs.

However, the majority of Alfa Romeo imports are the less expensive Alfasud models, of which only the Alfasud Sprint Veloce 1.5 comes into the executive category at a price of a little more than £5,700.

Of the Italian importers, Alfa Romeo offers the most comprehensive range of cars for both executive and other use, with comparatively small engine capacities providing generally good performance and fuel economy. Earlier problems with rust appear to have been overcome and good guarantees are now provided.

Lancia's reputation in this respect has suffered badly in the past year or so, although the company points out that this was in relation to cars manufactured up to six years ago, and that a six-year anti-rust warranty is given on both Lancia and Fiat models now.

Fiat's 132 model and the Bellini variation are both in the lower price range of executive cars, and the company has benefited from the low value of the lira against sterling to price competitively against Ford, for example, undercutting the price of the Cortina. Sales in the UK last year were only around 1,400, but some improvement is predicted by Fiat.

At the top of the Lancia range is the 2.5 litre Gamma Coupe, selling at nearly £10,000 and the saloon version at just under £8,000, while the HPE (High Performance Estate) and Delta Hatchback models fill the lower end of the range.

The Lancia Trevi, which has a 2 litre engine and has been selling well in foreign markets, becomes available in Britain later this year and will also compete at the lower end of the executive car market.

Fiat admits it has suffered from the generally depressed executive car market in the UK, pointing out that many companies have decided to change company cars every three years instead of every two, at least for the time being, and this has had serious effects on demand.

Nevertheless, the continuing weakness of the lira against sterling has offset some of these disadvantages and importers believe this will help them establish a firmer foothold in the executive market—one of the most profitable, in terms of margins.

Economy is the keyword in the UK

CONTINUED FROM PREVIOUS PAGE

Vauxhall/Opel cars, considerable emphasis is being placed on the top end of both ranges, notably the Opel Monza, Senator and Commodore, now selling in limited numbers in the UK, and the equivalent Vauxhall Royale, Viceroy and Carlton models. These all range downward in price from £13,829 for the Opel Monza.

There have been some fears expressed recently that Vauxhall will ultimately diminish in importance in relation to Opel, but this has been denied by GM, and plans are going ahead to sharpen the marketing image of the cars under a joint Vauxhall/Opel banner.

Mr. Bagshaw said recently: "Both operations have been trying to be all things to all men, and what the two marketing units were trying to put across were sometimes contradictory. We now have to take a rationalised approach to maximise on all opportunities."

He pointed out that there was some appeal for Opel in the image of a high-quality imported car, while Vauxhall benefited from the perception of buying British. In effect, the Vauxhall range is based entirely on Opel designs with many common components. About 40 per cent of Vauxhall's output is assembly of Opel-supplied kits.

Of the 3.87 per cent of the total market held last year by more expensive executive cars, 2.27 per cent were imports and the remaining 1.6 per cent (all Rovers) UK made, but significantly, the overall figure rose to above 4 per cent in the first two months of this year, while the market share of less expensive executive cars contracted.

The so-called D Class sector, which made up 16.5 per cent of the UK market in 1978 and 16.9 per cent in 1979, fell to 12.8 per cent last year, declining in unit terms from a record high of 289,887 in 1979 to 193,310 last year. This compared to total UK registrations last year of a little over 1.5m.

According to Ford, which dominates this sector of the market, this indicates that the message is getting through to companies that fuel economy and savings on initial purchases are an important area for cost reductions. Historically, there has also been some contraction of the E Class market, from 4.2 per cent in 1978 to 4.0 per cent in 1979 to 3.9 per cent last year, while the middle rung C-D Class (including cars such as Cortinas) has grown in size.

During 1980 Ford's Capri (which it describes as being only partly an executive car, due to considerable specialist demand) held 2.1 per cent of the D Class with registrations of more than 31,000, followed by the Granada with 1.9 per cent (29,093 registered). This was followed by the BL Maxi with 1.5 per cent and the Princess with 1.4 per cent.

The direct result of the fall in the market share of D class cars has been an almost corresponding increase in the market share of the segment below, the CD class of cars which includes at its top end a number of cars around the £5,500 mark. As a proportion of the total British car market, this class had 29.9 per cent in 1978, 31.1 per cent the following year and 32.3 per cent in 1980. This trend is expected to continue.

Ford points out that this system of car classification, used in slightly different forms by a number of motor manufacturers, is not based wholly on prices, but takes into account a large number of factors such as seating capacity, engine sizes and performance. For market research purposes, it is therefore regarded as more suitable than a price only classing system.

Overall, it is therefore evident that although car prices are often taken as the major factor in deciding what is suitable for executives, the size and engine capacity of the executive car is decreasing perceptibly.

This is probably the thinking behind the forthcoming introduction of the Talbot Tagora, which will come in two versions, the 2.2 litre GL and the 2.6 litre SX. According to Talbot, it is aimed "at the chairman or managing director who is conscious about the level of spending on cars." The two models will range in price from £6,900 to just over £10,000 and compete principally with the Ford Granada.

Talbot has long been aware that this sector is one in which it has not been represented, and believes that with the top of the range Solara SX 1.6 automatic now costing around £6,800, it now has a much improved product range.

With the recent rationalisation of the Talbot-Peugeot dealership network, which will also give a broader base to sales, the company is also aiming for increased market share in the key middle-executive car market. With Vauxhall also adopting a more aggressive approach, it appears that this year will be a highly competitive one, although Ford's strength and the loyalty to BL cars will be hard to challenge.

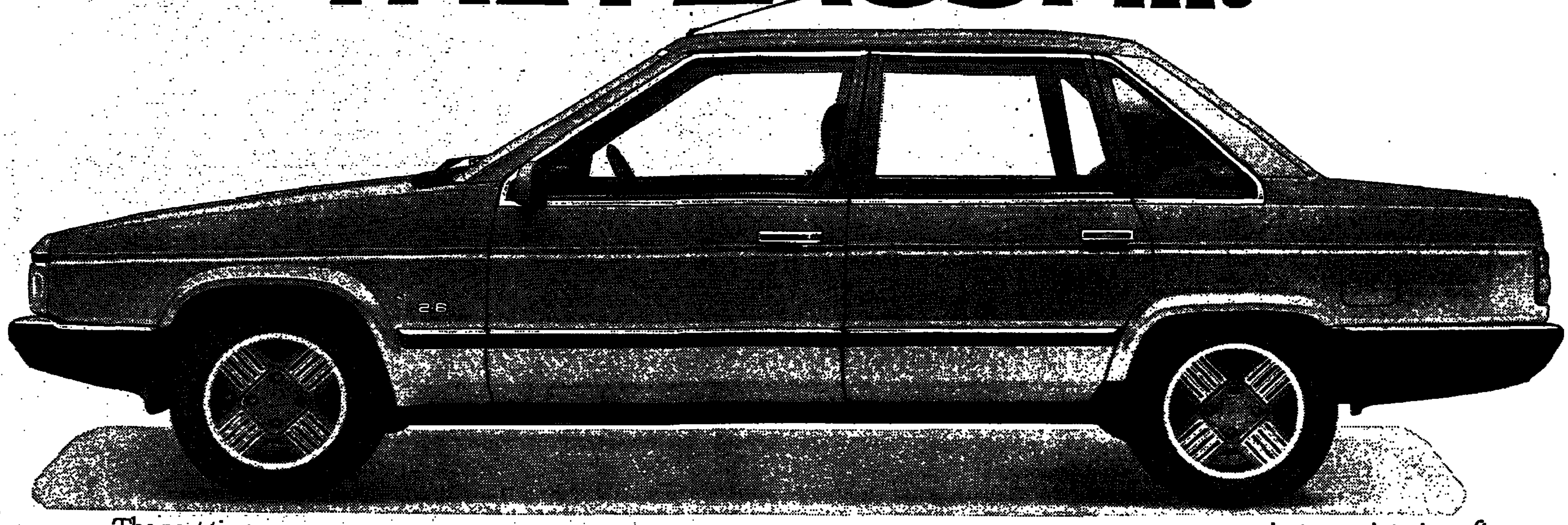
1980 TOP TEN

Registrations of new cars in the UK by manufacturer.

Ford Cortina	190,281
Ford Escort	122,357
Ford Fiesta	91,661
Austin Morris Mini	61,129
Morris Marina/Ital	59,906
Vauxhall Chevette	46,059
Vauxhall Cavalier	41,119
Austin Allegro	39,612
Ford Capri	31,187
Renault 18	30,958

Source: SMMT

THE FLAGSHIP.



The next time you're thinking of either buying, leasing or renting a new car, take a look at what Talbot can offer you.

Because Talbot now have one of the finest ranges of cars available in Britain.

As you can see every Talbot has a distinctive character because each was designed to fulfil an individual role. A role that's designed to suit you.

THE NEW TALBOT TAGORA.

The new Talbot Tagora is the sparkling new flagship of the Talbot range.

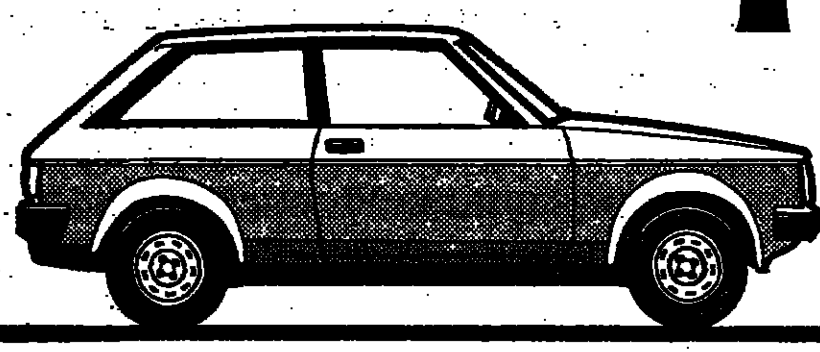
Tagora bridges that vital gap between luxury and performance.

Because with Tagora, performance does not just mean power and road capabilities–it also means spaciousness, sophisticated technology and design. Similarly, luxury does not just mean interior refinements–it also means quietness at high speeds, smoothness of ride, and elegant lines that are both beautiful and aerodynamic.

But don't just take our word for it, read what the motoring press have to say and sit behind the wheel of the new Talbot Tagora. We promise it will change the way you think about motoring.

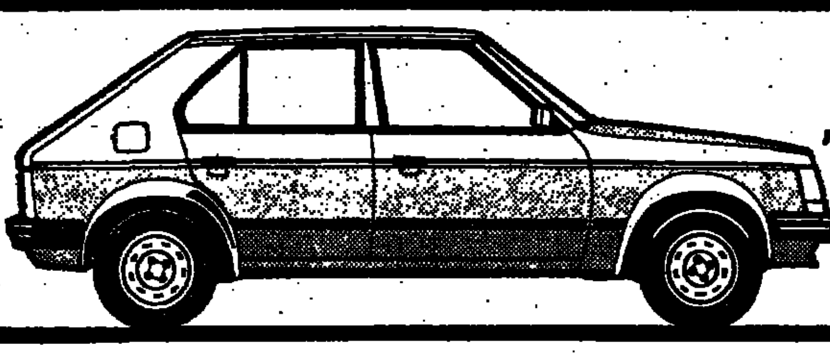
Talbot Tagora 2.2 GL/GLS and 2.6 SX. List Prices start from £6,916.*

THE FLEET.



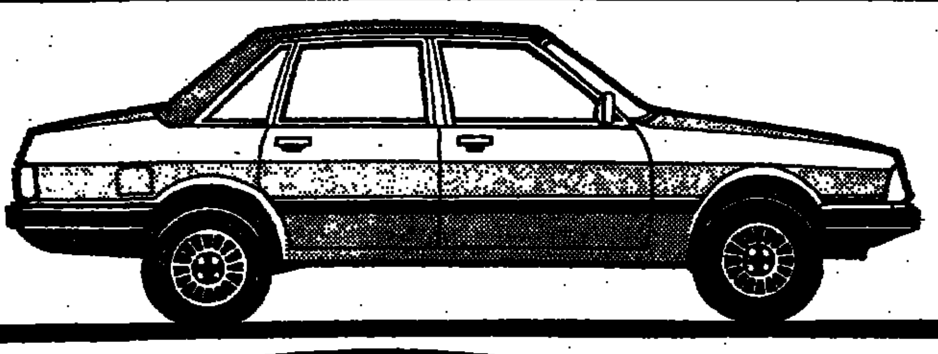
Talbot Sunbeam. Proven reliability is the key to the Sunbeam's success. A combination of remarkable interior space, all round visibility and an unbelievably small turning circle, allied to proven technology has made the Sunbeam a firm favourite with family buyers, company operators and even rally drivers.

Talbot Sunbeam 1.0 LE/LS/GL, 1.3 LS/GL, 1.6 GL/GLS and Ti, Talbot Sunbeam Lotus. List Prices start from £3,193.*



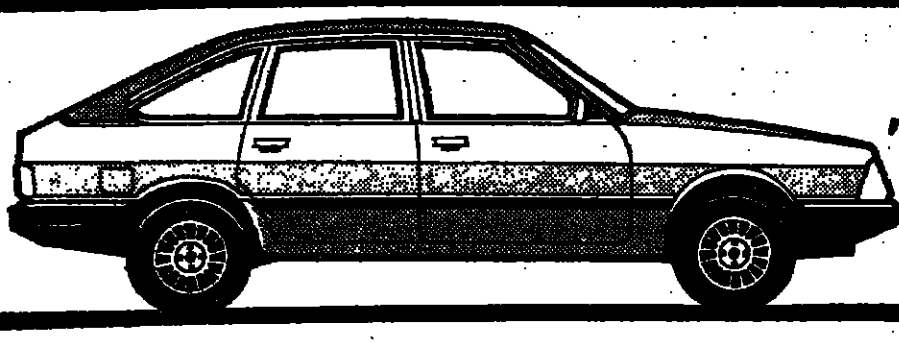
Talbot Horizon. The car that shaped the modern hatchback. A combination of individuality and sheer driver appeal with all the practicality and performance you demand. 1979's Car of the Year and still one of the cheapest cars to maintain in its class.**

Talbot Horizon 1.1 LE/LS/GL, 1.3 LS/GL/GLS, 1.5 GLS and SX. List Prices start from £3,599.*



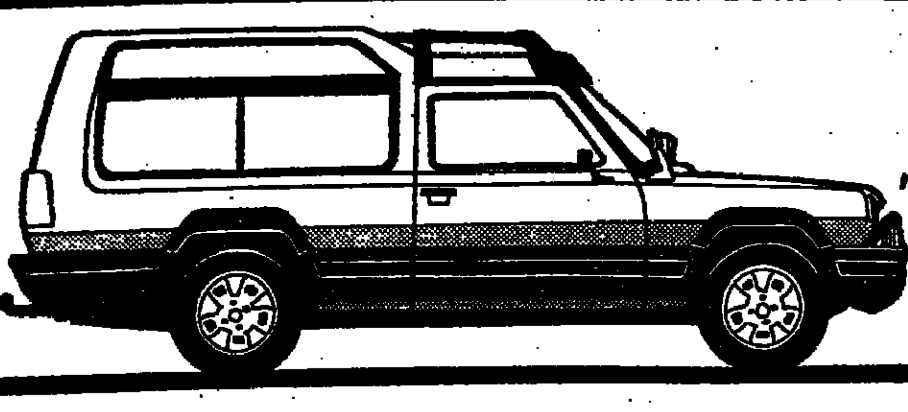
Talbot Solara. The stylish Talbot Solara is designed with all round performance in mind. Front wheel drive gives you more room, improved road holding and with the optional 5-speed gearbox even more economy.***

Talbot Solara 1.3 LS, 1.6 LS/GL/GLS and SX. List Prices start from £4,336.*



Talbot Alpine. For sheer value, total versatility, and real driving satisfaction there is nothing in its class to match the stylish Talbot Alpine. The space economy of front wheel drive means seating for five plus all their luggage in perfect comfort-or an enormous 49 cubic feet of carrying space with the rear seats folded.

Talbot Alpine 1.3 LS, 1.5 LS/GL/GLS, 1.6 SX. List Prices start from £4,547.*



Talbot Rancho. The Talbot Rancho really goes to town or country with all the style and versatility you could ask for. Seating for seven in comfort or fold down the rear seats and there's an astonishing amount of carrying space–even room for the kitchen sink!*

Talbot Rancho. List Prices start from £6,265.*

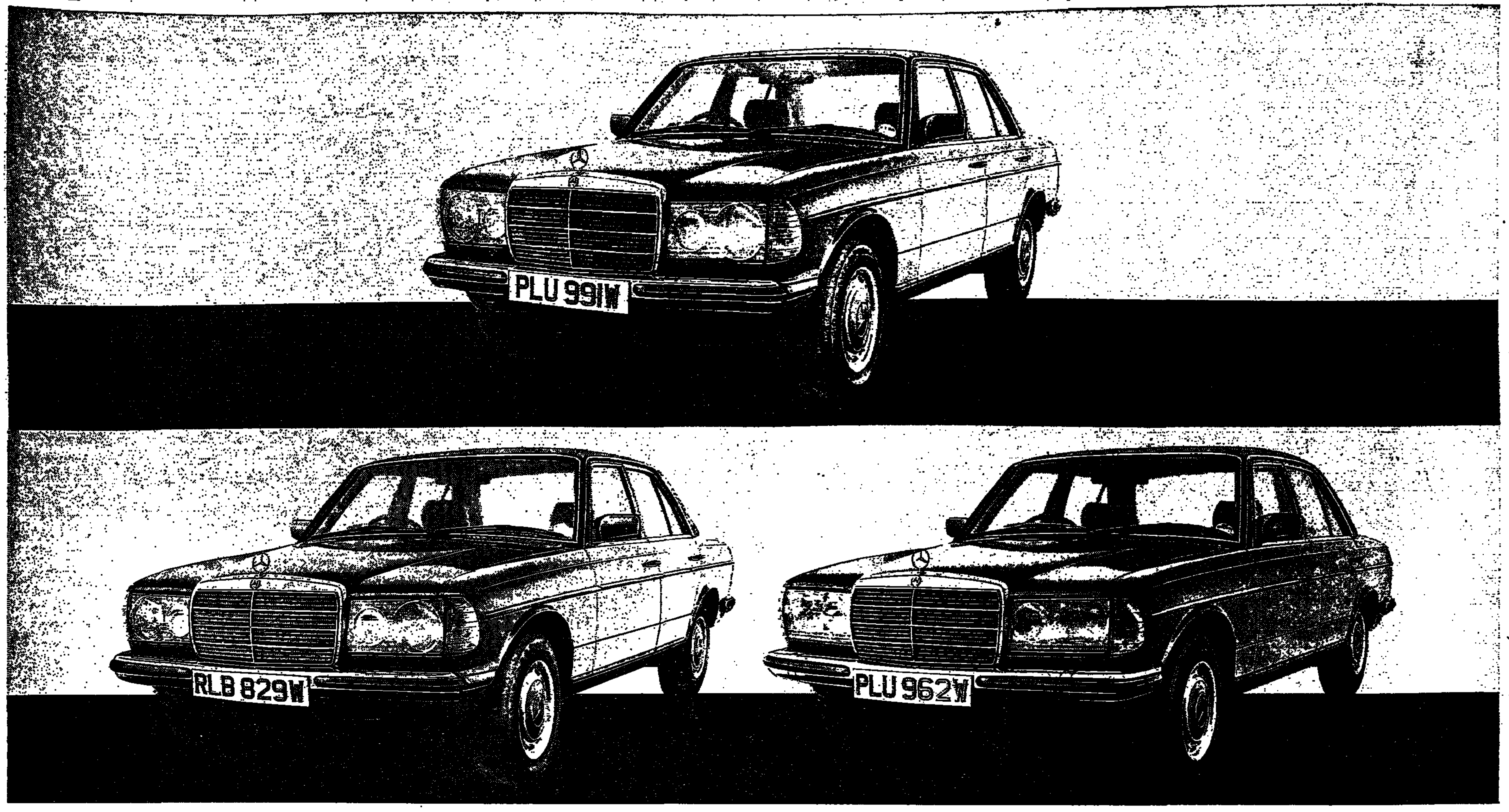
*Including seat belts, car tax + VAT. Number plates, delivery and road fund licence extra. Correct at time of going to press.
**Figures based on manufacturer's service schedule using a common labour rate. Talbot Horizon 1.1 £205.79. Ford Escort 1.1 £238.64.

TALBOT

***DOE Figures. Solara 1.6 GLS. At steady 56 MPH 4 speed 41.5 MPG 6.8 L/100 KM. 5 speed 46.3 MPG 6.1 L/100 KM.
At steady 75 MPH 4 speed 31.0 MPG 9.1 L/100 KM. 5 speed 34.4 MPG 8.2 L/100 KM. Urban driving 4 speed 29.1 MPG 9.7 L/100 KM. 5 speed 29.1 MPG 9.7 L/100 KM.

ON THE MOVE.

For details of Tax Free Export Sales contact Talbot Personal Exports, Devonshire House, Piccadilly, London W1. Tel 01-499 7236.
Contact Talbot Fleet Department on Coventry (0203) 303030



A NEW 2 LITRE MERCEDES-BENZ AND TWO OF ITS ONLY COMPETITORS.

Though 120 cars of other marques are more expensive than the new Mercedes-Benz 200 (pictured top) its only true competitor is another Mercedes-Benz.

It would be a worthwhile exercise, therefore, to evaluate the new 200 against the Mercedes-Benz 230E and 280E (pictured left and right).

Amongst other things, you will discover that there is no room for a 'base' car in the Mercedes-Benz philosophy.

The new Mercedes-Benz 200 is 16% more powerful, 13% less thirsty,* quieter, smoother and able to run 12,000 miles between services. Why?

It has a totally new 109 DIN/h.p. overhead camshaft engine with light alloy cross-flow head, hemispherical combustion chambers, heat-dissipating sodium-filled valves, lightweight pistons and breakerless transistorised ignition. Plus a new 27.6% lighter and more efficient four-speed gearbox.

These engineering advances, and others, provide sparkling acceleration to 105mph. They decrease fuel bills and distance fuel stops further apart. They reduce stress and heighten pleasure by making an already exceptionally civilised car more civilised still.

The Mercedes-Benz 230E (introduced last Autumn) offers 113mph or, in another mood, 33.8 mpg.* How?

The answer, again, is a new high-technology four-cylinder engine and four-speed gearbox, with the further advantages of fuel-injection and an extra 300 cubic centimetres of engine capacity.

The outcome is, to anyone not currently driving behind the three-pointed star, a startling combination of quietness, quickness, flexibility and economy. In fact, the ultimate proof that these advanced 2.3 litres are more than a match for many larger, conventional engines.

The Mercedes-Benz 280E reaches 121 mph. But where?

Anywhere in the world such a pace is legal. Moreover, the 185 DIN/h.p., 2.8 litre twin overhead camshaft fuel-injected, six cylinder engine is so deliberately understressed that the 280E can virtually cruise at that speed for hours on end. But when the bends tighten-up and the speed drops, the other side of the 280E's nature is revealed.

A skilfully engineered partnership between performance, brakes, steering and suspension, provides handling characteristics in this five-passenger saloon that would do justice to a sports car.

More relevantly, in this country and this economic clime, the 280E can cover 27.4 miles for every gallon of petrol consumed at a constant 56 mph.*

Mercedes-Benz safety engineering pre-empted legislation and far outstrips it.

There are more than 120 safety features built into your new Mercedes-Benz – more than twice as many as are required by even the most stringent safety standards being enforced in any country.

The central element of the 6,000-weld body is a rigid steel safety cell (an idea pioneered by Mercedes-Benz in 1951) isolated fore and aft by progressively energy-absorbing crumple zones.

Burst-proof locks could each support the weight of the entire car.

The steering system has been designed to absorb impact and reduce the risk of injury.

Long range headlamps, high intensity indicators, 85% all-round vision, four-wheel disc brakes and the dynamic agility of the car itself minimise the risk of this massively effective passive safety system ever being put into action.

Statistics for your investment broker.

Whilst no new car is actually a financial investment, a select few offer exceptional value for money. Here's what the experts say:

"Company Car" magazine estimates that, after 4 years, Mercedes-Benz have the highest trade-in value of all comparative cars, defying the rule that large cars depreciate fastest.

"TUV" (the German MoT equivalent) reveals that Mercedes-Benz have had the lowest failure rate of all large cars tested at two and six years old.

According to an analysis of the definitive U.K. used car price guides of January 1981, Mercedes-Benz cars depreciate just 25% after one year. Less than any other marque in comparative price categories.

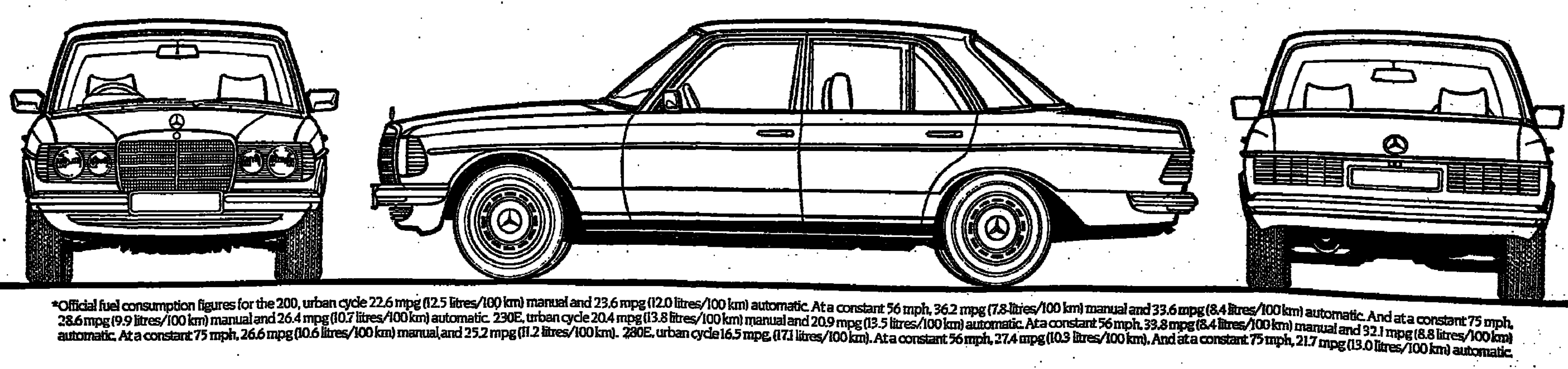
Perhaps your first Mercedes-Benz – certainly not your last.

Some time in the future, of course, you will trade-in your beautiful 1981 Mercedes-Benz 200, 230E or 280E.

After servicing and restoration to rigorously set standards in your Mercedes-Benz dealer's workshops, it will move on to other hands.

And you? If you are like 80% of Mercedes-Benz owners, statistics show that you will move on to another Mercedes-Benz.

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.



*Official fuel consumption figures for the 200, urban cycle 22.6 mpg (12.5 litres/100 km) manual and 23.6 mpg (12.0 litres/100 km) automatic. At a constant 56 mph, 36.2 mpg (7.8 litres/100 km) manual and 33.6 mpg (8.4 litres/100 km) automatic. And at a constant 75 mph, 28.6 mpg (9.9 litres/100 km) manual and 26.4 mpg (10.7 litres/100 km) automatic. 230E, urban cycle 20.4 mpg (13.8 litres/100 km) manual and 20.9 mpg (13.5 litres/100 km) automatic. At a constant 56 mph, 33.8 mpg (8.4 litres/100 km) manual and 32.1 mpg (8.8 litres/100 km) automatic. At a constant 75 mph, 26.6 mpg (10.6 litres/100 km) manual and 25.2 mpg (11.2 litres/100 km). 280E, urban cycle 16.5 mpg, (17.1 litres/100 km). At a constant 56 mph, 27.4 mpg (10.3 litres/100 km). And at a constant 75 mph, 21.7 mpg (13.0 litres/100 km) automatic.

More popularity among European buyers

DIESEL MARKET

STUART MARSHALL

HALVING THE March Budget increase of 20p a gallon on Derv fuel in response to Tory backbench prodding was a tactical defeat for the Chancellor but a victory for the diesel engined car. At a stroke, Sir Geoffrey Howe ensured that Derv should be sold at the pump for substantially less than premium grade petrol from not later than August 5. In so doing, he took away the strongest argument from those who have maintained that the diesel car made little sense in Britain because its fuel was dearer than petrol.

In fact, it never was wholly true. Derv has not been price-cut like petrol in a bid to coax motorists on to filling station forecourts. Even so, some garages—especially those serving London cabbies—have refrained from ripping-off the diesel vehicle owners among their customers. Fleet users with their own pumps have been able to buy Derv at prices at least 15p a gallon lower than maximum retail.

The knowledge that the local garage charged more for Derv than premium was a great disincentive to diesel car ownership, even though its fuel cost per mile would still be anything up to 40 per cent less than that of a comparable petrol car.

Britain is no longer the only major industrial country in the world charging more for Derv fuel than petrol. Will this mean our diesel executive car market will now take off, as it did several years ago in most Western European countries where the fuel price disadvantage did not exist? Probably not, because there is a great deal of ignorance in Britain about the real nature of today's second generation diesel cars.

Opinions

Many business executives whose employers (or shareholders or partners) would stand to benefit from their running a diesel car think they are sluggish, noisy and smelly. Fine for taxis, perhaps, but not for executives who have to cover long distances in comfort and keep up appearances, too. Except in a few special cases, like Scottish and Newcastle Breweries, companies have been reluctant to consider dieselising their executives' cars. They have felt that the complications—technical, financial and personal—would outweigh benefits.

Last year, total diesel car sales in Britain were 5,918 units, or about 0.4 per cent of total registrations. Of these, 3,351 were executive class cars with engines of 2-litres cylinder capacity or over. So far this year, diesel car registrations have shown a 42 per cent increase over 1980. With the 10p a gallon reduction in Derv duty, this is expected to become at least a 50 per cent increase, making total registrations of between 9,000 and 10,000 diesel cars this year.

Importers—there are still no British diesel cars—are taking a cautious line and are refusing to be carried away by the tax cut on Derv. Mercedes, whose diesel cars are all in the executive class, feel that much of the growth in registrations this year will be at the lower end of the market. This means that Volkswagen (the Golf), Peugeot (the 305) and Renault (the R18) will stand to benefit most. But there is an undeniable feeling of optimism among the importers that, at last, the UK market will become aware of the advantages of the diesel executive car.

It is even possible that the diesel car may become a fashionable buy once executives can be persuaded that they will suffer no loss of comfort or convenience if required to drive one. In hard economic times, there will be public relations mileage, as well as fuel mileage, to be gained by a company that demonstrates it is saving money and energy.

Elsewhere in Europe, the diesel car is rapidly gaining popularity, nowhere more than in Italy, where Derv fuel is less than half the price of petrol. There, the diesel sector in car registrations grew from 1.2 per cent in 1973 to 3.1 in 1976, to 6.2 in 1979 and reached 8 per cent last year. It may well reach 10 per cent of all registrations this year. In Europe generally, the diesel sector took 5.8 per cent of sales in 1980. Even in the U.S., where the diesel car was non-existent until 1976, the 2.5 per cent figure was reached in 1979 and 4.2 per cent last year.

Another factor inhibiting diesel executive car sales in Britain has been the lack of a British-made vehicle. The SMMT, as long ago as the summer of 1976, urged the Government not to replace the then £50 annual car tax by a nominal registration fee plus a heavier rate of duty on fuel.

Pointing out that the change would make diesel fuel cheaper than petrol, the SMMT said that there were no British diesel cars and that it would take "between five and seven years to bring them into production." That was four years ago and the British diesel car seems to be almost as far away as ever.

A diesel Princess was proposed in the late 1970s and some prototypes were made but, with the only in-house engines available to BL, it was considered to be unsuitable as a taxi, let alone as an executive saloon. The Rover V8 engine has been converted to diesel operation and is said to run most successfully, but BL is not ready to offer the Rover executive hatchbacks with this power unit. For the more distant future, the new, lighter Jaguar, code named the XJ-40, could appear in the mid-1980s powered by the turbo-charged six-cylinder diesel engine now in the final stages of development by BMW.

Anyone inclined to dismiss the very idea of a diesel Jaguar as far-fetched and a contradiction in terms should look to America, where the prestigious Cadillac Seville now has a diesel engine as standard and a petrol V8 or V6 as a no-cost option.

All diesel cars from Mercedes-Benz are in the executive class; the five-cylinder 300-D, above, combines diesel economy with comprehensive equipment and a luxurious interior. Automatic transmission and power transmission are standard

Important advances in durability

CORROSION

ALAN WRAIGHT

THE FACT that all metals corrode is an irreversible law of nature, so the best that any car manufacturer can do is prevent this for as long as possible. Major advances have been made in the last five years as witnessed by the increasing number of companies offering extended bodywork guarantees on their vehicles. Of these operating in the executive car sector, Renault gives a five year anti-rust warranty, VW/Audi, Lancia and Peugeot six years and Porsche seven.

To a considerable extent the need to increase rust protection has been brought about by public demand for more durable vehicles. The manufacturers' main problem has been cost, for it is also ironically true that the car buyer is reluctant to pay for something he cannot see in terms of styling and performance.

In general with rust protection the old adage of you get what you pay for holds true. The more expensive the car the longer it is likely to stay rust free.

Corrosion prevention methods used by most manufacturers supplying the top end of the car market vary little, however, and are typified by those employed at BMW. There, car bodies are electrophoretically dipped before priming. All seams are then hand painted with a rubberised compound and the parts of the underbody prone to chipping are coated with bitumastic. The car is then sprayed, after which cavities and undersealed areas are treated with a liquid wax which dries to form an elastic skin.

This kind of "in-house" treatment and the growing number of companies offering an anti-rust warranty has had its impact on specialists operating in the rust prevention aftermarket. There would seem little point employing the services of Ziebart, Protectol and Dinitrol when your car's body is already covered by the manufacturer's guarantee. Nevertheless, Ziebart does offer a 10 year or 100,000 miles warranty and Protectol's Gold Seal package covers the car for 12 years.

It may be possible to protect vehicles beyond the time scales offered. But as VW/Audi's head of research and development pointed out, when reviewing Porsche's long life car project, a vehicle that last 20 years or so could well be made redundant by technical development anyway.

Large savings anticipated

DIESEL FLEET: A CASE STUDY

STUART MARSHALL

THE FIRST major British company to bite on the diesel bullet and decide to convert its entire car fleet to diesel-engined cars was Scottish and Newcastle Breweries. Exactly one year ago it began a rolling programme of replacement which will lead to its fleet being 100 per cent diesel by 1985.

The purpose behind the change-over was cost-cutting. So far, Scottish and Newcastle has no reason to feel displeased with its decision.

Savings of at least £500,000 a year are anticipated once the entire 1,300-strong car fleet has been dieselised. They will be achieved in various ways.

First, the company plans to run its diesel cars for longer mileages than have been achieved by comparable petrol-engined cars in the past. It says that the economics of the diesel are based not only on the most obvious aspect of fuel consumption, but on durability.

The diesel engine will last much longer than its petrol equivalent—time will tell exactly how much longer. And the firm considers that the sophisticated rust prevention of the vehicles it is now buying will allow their body shells to outlast those of many "British" fleet cars.

Every company car user in Scottish and Newcastle will eventually be issued with a diesel. So far, it has bought the VW Golf and Passat; Peugeot 305, 505 and 604 Turbo; Renault 18 and 20; Citroen CX2500 Pallas; and Mercedes 300D and 300TD.

It also feels reasonably certain that maintenance costs will be lower for diesels than for their petrol counterparts. The majority of its cars are maintained outside company workshops by dealers for the particular makes. Where they are serviced in-house, manufacturer service schedules are followed.

Ignorance

Generally, dealership servicing has been found to be no better nor worse than that experienced for petrol cars.

"There is," says S & N, "still considerable ignorance in the trade of the particular needs of diesel cars and the manufacturers are, we have found, working hard to correct this deficiency in their service back-up."

Philosophically, S&N says this is one of the penalties of being a pioneer. It had anticipated the problem. To help overcome it, the breweries' own car mechanics are taking manufacturers' courses to improve their skills in diesel car servicing.

One major advantage has been the fact that S&N cars, with very few exceptions, are fuelled at depots and branches with their own bulk supply of Derv. This has avoided the bane of the private diesel car owner — having to pay inflated retail pump prices because Derv fuel has not been subject to anything like so much price cutting as petrol.

Bulk Derv is bought at prices far lower than the retail price of petrol. On top of this is the diesel engine's inherently greater economy. In practice, the conservative estimate of fuel savings, used in S&N's original policy justification, are being exceeded.

Depending on the model of car and the kind of usage, fuel savings are varying between 30 per cent and 50 per cent in favour of the diesel car. Although it is early days, there are indications that maintenance costs will show the same order of saving.

Satisfactory

User-reaction to diesel cars has generaly been satisfactory. Having taken the decision to go diesel, S&N ran an intensive consultation exercise with all levels of management and particularly with high-mileage sales representatives.

The reasons for the change-over were fully explained and the new models of car that would be available to users were demonstrated. If any one model has been outstandingly successful from the aspects of low running costs, reliability and driver appeal, it has been the VW Passat.

Before going diesel, S&N asked several British manufacturers if they could supply suitable diesel cars, but none could meet requirements. S&N even seriously contemplated the possibility of using British Leyland cars, specially fitted with in-house or bought-in diesels, but the idea was found to be impracticable and the dieselisation programme is based at present only on mainland European products. But the firm hopes within 12 months to be buying a proportion of its diesel cars from a British manufacturer.

Would S&N advise any other large fleet user to follow its example? Cautiously, it points out that the economics of going diesel in Britain, given the relative prices of petrol and Derv, are more marginal than in some other European countries.

To some extent, the viability of dieselisation depended on the structure of a company's previous petrol car policy. It was important not to give a company car-user the idea that he had been downgraded in some way. To avoid that, there had to be a diesel equivalent to their previous company car that did not incur too great a capital cost penalty. Fortunately for S & N, circumstances were not unfavourable to the change over.

One big question mark remains: what will be the re-sale value of diesel cars when they have to be replaced in three or four years' time?

Assuming a continuation in the rise in fuel prices, S & N takes a bullish view. It thinks there will be an increased demand for used, though properly maintained, diesel cars with well protected body shells that show no evidence of rust damage.

Tough time for the specialist car makers

AS IF the energy price rises of the early seventies were not enough, the specialist car makers have been hit in recent times by a combination of recession and discretion.

On both sides of the Atlantic the downturn in industrial fortunes has seen reduced demand for high-priced luxury vehicles and this has been heightened by the reluctance of company *chiefs to drive to the factory in* a gleaming new £50,000 car only to lay off several hundred workers later in the day.

There are signs that there will soon be enough of an upturn to justify the cautious optimism in the select club of top-of-the-market car builders, and any upturn such as that seen in the first quarter in the U.S. will *release cash that rich men have* been unwilling to spend ostentatiously.

For despite all the traumas of the last five years, with Aston Martin being rescued yet again at the beginning of this year, Rolls-Royce Cars being taken over by Vickers, and Bristol keeping production down to two or three cars a week, the specialist retains his own niche *in a sentimental market*, despite the demise of Jensen and the hiccup at Panther.

The U.S. remains the most important export market but even here it has not been the adverse exchange rate—although the strong pound has had a profound effect on profitability—nor the increasing regulations and gas guzzling penalties (between $500 and $600 on a Rolls-Royce) that has had the greatest effect on demand.

As the U.S. economy sagged in the latter part of the Carter Administration so car sales went down. Though market contraction at the top end was less than the average it was enough to seriously worry the specialist producers, and this includes the Jaguar and Mercedes of this world.

Prediction

For Rolls-Royce, however, the two main features of 1980 were the takeover by Vickers and the introduction of their new Silver Spirit range. Demand for the new car is still strong and though the black market of *three and four years ago* has now disappeared to the undisguised relief of Rolls-Royce themselves. Rolls are confident enough to predict sales of 3,400 cars this year and are hopeful of a strong 1982.

The UK continues to take a steady 40 per cent of production, the U.S. a further 33-35 per cent. But other markets are developing well, not least in Australasia, especially Hong Kong. The Spirit, Spur and Mulsanne range will account for over 85 per cent of production this year, but the Corniche still accounts for eight cars a week and the prestige Camargue a further two.

Though many believe the Middle East accounts for a large proportion of Rolls-*Royce sales* it does in fact take a steady, but surprisingly modest, 200 cars a year. The new cars have yet to be introduced to Japan, where, although selling only 50 to 60 cars a year in the past, their high price meant that Rolls-Royces accounted for a significant percentage of imports by value from the UK.

Rolls-Royce has overcome the problem of high introduction costs for new models by gradually improving the mechanics over a period of years and then "reskinning" with a redesigned body. This process is likely to continue but with the additional problem of successfully introducing a smaller, lighter, more economical engine. So there has been great reluctance to buy in a smaller engine from outside.

Rolls-Royce is working on a six-cylinder engine which will take account of energy-saving diplomacy while maintaining traditional luxury.

Orders lost

Others have not been so fortunate. Aston Martin builds its own engines but at the moment produces only four cars a week. *After laying off over 20 per* cent of its workforce in the middle of last year when—in a space of ten days—orders for their V8 Astons evaporated, they are reluctant to count any chickens.

Aston Martin has noticed a reluctance on the part of their traditional buyers to be seen in ostentatiously-priced cars, but feels the recession is bottoming out.

Perhaps the most traditional of the special car producers is Bristol. Some weeks they make two, some three cars and by far the majority are sold in the UK.

They too have suffered as British industry has suffered, and they have turned their hands to renovating customers' older cars and taking on some outside engineering work in the aircraft industry.

Bristol has the advantage in the U.S. of an extensive Chrysler network to service engines and gearboxes—as long as Chrysler itself can be kept operational—and in the UK has specialised in servicing all their cars.

They recently won a 10-year battle to secure the lease of their Kensington showroom in London, but the strain of cost-cutting exercises, maintenance of a five day week and building cars that are often cheaper than Rolls-Royce or even Astons has been severe for the small management team.

Yet the lure of being one of the great individual car makers continues Anthony Crook, for so long the boss at Bristol, said cautiously, but with a hint of pride, that they had been recently aproached by an Arab consortium that wants to build the Bristol in the Middle East. "It would mean building them over there. . . we would have to take a very long look."

STUART ALEXANDER

ASTON MARTIN

Fundamental changes

ON THE SURFACE not much has changed since the new owners moved into the Aston Martin Lagonda headquarters in Newport Pagnell's Tickford Street in January.

Victor Gauntlett, the chairman of Pace Petroleum, and Tim Hearley, chairman of the public CH Industrials group, who between them now control about 96 per cent of the illustrious old car maker's shares, have little to say.

They, and former Pressed Steel Fisher managing director, Mr. John Symonds—occupying the same slot at Newport Pagnell—warned at the time of the takeover not to expect immediate dramatic changes.

But beneath the strange collection of roofs under which 360 men wield panel-beater's hammers and leather worker's needle, without a robot in sight, fundamental change is taking place.

The company is still producing only about four cars a week; three of them the futuristic-looking, £50,000 Lagonda four-seater; the other, variants of the traditional V8 model.

Developing the Lagonda came close to crippling Aston Martin—for what would have been the eighth time—during the reign of Curtis and his American co-chairman, Peter Sprague. It cost five times as much—£1.3m—as originally anticipated. At the turn of the year, car-making itself was still unprofitable. Yet the Lagonda, with its all-electronic controls, was an expensive necessity, giving Aston Martin a vehicle on which to build sales in the 1980s.

Improvements

With the tighter financial and production disciplines now being applied, the high costs of hand-building the cars is coming down. Symonds says the productivity improvements already begun at the start of 1980—bringing a 15 per cent gain—have been accelerated this year, with a further im*provement of 20 per cent* on the cards.

If that is secured, car-making should be profitable even at the four a week level, though the company would like to restore past levels of six or seven a week. Recently, most Aston Martins and Lagondas have been sold in the UK; but it is a major priority of Gauntlett to use his marketing skills to once more take the company back into export markets such as the U.S. and the Middle East.

At the same time, the company is broadening the base of its activities and seeking, like Porsche and Lotus, to develop its engineering and research expertise to sell to outside industry. Symonds says that while the big cars will remain AML's main activities in the short-term, success as a wholesaler of technology could radically change the corporate profile.

At the same time, the company is pursuing another line of development in an attempt to step down once and for all from the financial tightrope it has so often walked in its 70-year history.

Aston Martin versions of other production vehicles are planned. This is an opportunity to make money without the mammoth costs of developing a car. The company's activities in this area are wide-ranging, though firmly under wraps. A few surprises are promised in the not too distant future.

JOHN GRIFFITHS

DE LOREAN

Critics proved wrong so far

BELFAST IS now becoming accustomed to the daily convoys of transporters laden with sleek, stainless steel two-seaters making their way to the docks. *Just 30 months after a 70-acre* field at nearby Dunmurry was first churned up to accommodate the De Lorean Motor Cars plant, the company is ready for the cars' nationwide U.S. launch.

Nearly 1,500 people are now employed: the 130 mph sports cars are coming off the line at the rate of 30 a day, building up to 80 a day by the end of the year. Some 12,000 of the $25,000 vehicles—the 2.8 litre, V-6 powered, with gull-wing doors and constructed in a manner designed to give a minimum life of 15 years—are expected to be sold in the U.S. this year.

Some 40,000—equivalent to the first two years' production—have been pre-sold under De Lorean's contractual agreements with its 350 U.S. dealers.

Not least, after putting up some £70m in equity, grants and loans, the UK Government in the next few weeks will start receiving some of its money *back. Some £2.4m is expected* to be paid in the form of royalties on sales this year, increasing substantially next year, when at least 20,000 are expected to be sold. The royalties of £185 on each of the first 90,000 cars and £45 per car, thereafter, are in addition to the repayment of loans, not scheduled to begin until 1983.

Much initial scepticism surrounded the project, both regarding De Lorean's ability to successfully develop a new car—albeit one using bought-in major components (the engine/transaxle is from Renault)—and the prospects for bringing on stream a major new plant manned by a workforce largely unaquainted with the motor *industry.*

So far, Mr. John De Lorean, the ex-General Motors' vice-president who is De Lorean's chairman, has proved the critics wrong.

With its short-term cash problems now resolved, the company, says Mr. De Lorean, will be operating in the black by the end of this year.

In terms of meeting the Government's objectives, the workforce is moving more towards the 2,000 target envisaged in the original agreement signed with the Labour government in 1978. At the same time, there has been a substantial multiplier effect through jobs created at Ulster component manufacturers supplying De Lorean.

And much the greatest proportion of total investment in the project has been spent in Northern Ireland rather than the U.S.—well over £70m in plant, facilities, development and wages.

JOHN GRIFFITHS

OGLE DESIGN

Important marketing spin-offs

THE IMPACT of the Laser Metro "special" (designed by Ogle for BL) at last year's Motor Show was an important part of the successful marketing campaign which has propelled the Metro to its present position in the UK.

The concept of taking a standard car model and designing a variety of high-quality improvements, both mechanical and interior, is one which Ogle Design has specialised in for some years. Although actual sales of such cars are extremely limited, there are important spin-offs.

The most significant of these is probably to be seen in terms of marketing, since it can be demonstrated that an otherwise standard car has the potential for considerable improvement. In the case of the Metro, Ogle found that its good use of space provided much scope for additions and luxury improvements.

The result was a car, converted by Wood and Pickett of Ruislip, which could be used by an executive for short-distance business activities and week-end driving such as for golf, with extreme comfort and status appeal.

It includes genuine leather upholstery, the best quality sound equipment, a turbo unit on the engine to give performance comparable to a 2.5 litre car, bigger wheels and low-profile tyres, and better ride characteristics.

Mr. Carl Olsen, design director of Ogle, said that BL provided a Metro some months before its launch and asked for a design which would create the same classless image which was largely responsible for the success of the Mini.

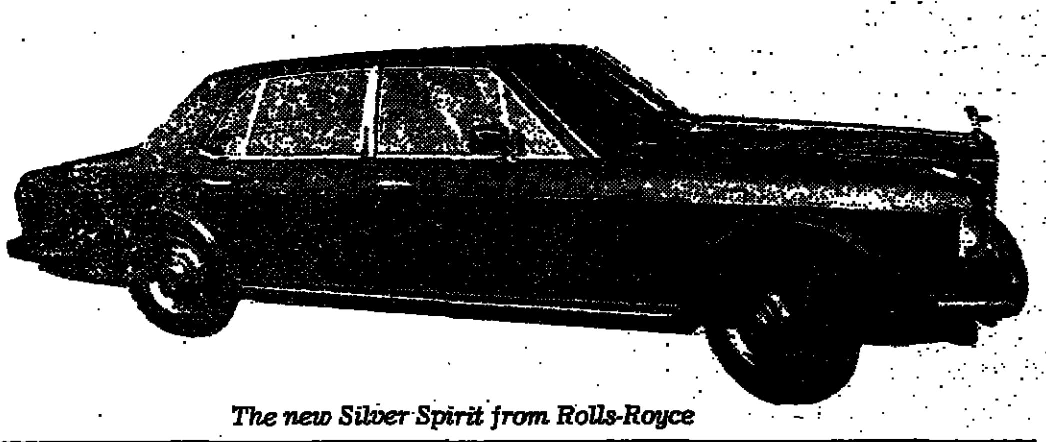
The result, according to Mr. Olsen, was a car which is ideal for someone to use as a replacement for an upper- to medium-priced prestige car such as a BMW. Prices range from £11,000 to £15,000, depending on the extras, which included a video cassette system on the show model.

Other improvements include additional hand-rubbed coats of paint, rosewood panelling for the interior (for which the wood alone cost £75) and the use of the finest finishing materials.

In addition to the benefits derived by BL, Ogle has subsequently received a considerable amount of new design work from major motor manufacturers for volume car production. The company, founded in the 1960s by Mr. David Ogle, now employs around 70 people. Of these, 17 are designers, about 40 are concerned with making prototypes and models, and there is a small number of engineers.

The company is perhaps best-known for its design of *the Reliant Scimitar*, and it is now the largest motor industry design consultancy in Europe. With considerable emphasis now being placed on the best use of space in economy cars, the future of this sector of the industry appears to be favourable.

LORNE BARLING



The new Silver Spirit from Rolls-Royce

BRISTOL

Much sought-after vehicles

THE EFFECTS of a shrinking sellers car market caused by the recession, presents no problem to Mr. Anthony Crook, chairman, managing director and *owner of Bristol Cars.*

Considering just how small his corner of the luxury car market is, this is hardly surprising. Three of these much sought-after handbuilt vehicles are produced at the Filton factory at Bristol each week.

At £32,718 on the road for the 412 S2 saloon convertible to £39,928 for the turbocharged *140 mph Beaufighter or 603 S2* saloon, these vehicles are not likely to be a car fleet buyer's first choice.

But a Bristol, sometimes described as the businessman's express, can be a sound investment for these who can afford it.

With a contracting economy causing car buyers at all levels to reassess their requirements, the decision on what car to buy executives *in the higher* echelons of the larger corporations often becomes a question of image.

"It isn't so much what the company or individual can afford, but what he should be seen to afford," Mr. Crook said. "The buying of what might be termed as an ostentatiously opulent car at a time when so many people are being made redundant, is causing a lot of firms to delay buying or get less conspicuous vehicles."

This very situation works to Bristol's advantage, for they produce an expensive, luxurious and very fast car without the display of wealth which some people find objectionable.

So who are the buyers of *these less than opulent but* nevertheless superb vehicles?

According to the Bristol chief executive there are cycles of buyer types. "At present it is the liquidators, bankers and accountants who seem to be in the market for these specialised cars," Mr. Crook said.

"We try to keep as near to aircraft standards with our cars as possible and produce a vehicle that is also highly competitive, in its field, in price."

The company's full order books endorse this view.

WILLIAM CALTHROP

PORSCHE

A sales record

"THERE IS very little Porsche has done in the past which is not up for rethinking." The words are those of Mr. Peter Schutz, the 50-year-old Berlin-born American who, in January of this year, took over as chairman of the West German sports car maker's executive board.

Mr. Schutz was not criticising his predecessor, Dr. Ernst Fuhrmann, who had steered the private, Stuttgart-based company through eight years—a period which included the post-1974 oil crisis, which wrought *havoc with specialist car-makers.* Porsche never failed to make a profit.

Mr. Schutz suggests world markets and technology are now changing so fast that Porsche must try some new approaches if it is to survive as a relatively small specialist operation in a motor industry preoccupied with internationalising production and achieving maximum production economies of scale.

In the past, Porsche has relied heavily on covering its escalating investments in technology facilities—notably its research centre at Weissach—by steadily raising the prices of its fast, and expensive, 911, 924 and 928 sports cars.

"We have played that game as far as we can go—some would say, perhaps too far," says Mr. Schutz.

The alternatives of raising car output well beyond the current level of about 36,000, or cutting overheads, are ruled out. Porsches, it is acknowledged, will always have a limited market. And, Mr. Schutz makes clear, the company cannot cut back on its engineering and research operations—"in everything we do, Porsche has got to be at the pinnacle of technology. The day that begins to waver, the long term viability of Porsche can start to be questioned," he says.

Instead, Porsche will go the opposite route, placing greater emphasis on its role as a supplier of technology and engineering expertise to outside *industry.*

At the same time, it is likely that Porsche will now be prepared to supply components, including engines, to other manufacturers. Engines in particular would still be very expensive, but it is envisaged that a substantial rise in output could cut their unit cost by 20 per cent.

Porsche is investing DM 280m over the next three years to develop its manufacturing and research facilities—equivalent, on an annual basis, to nearly 9 per cent of turnover. Much of this will be at Weissach, 45 per cent of the turnover of which is now contract work for outside companies.

The facilities are being extended and over the next three-four years its work force will rise from 1,150 to about 1,600.

Cars will, however, almost certainly remain the core of the business, and several significant developments on its three model lines can be expected.

JOHN GRIFFITHS

FERRARI

A reward for top executives

ALTHOUGH THE UK market for the exotic sports cars made by Ferrari and Maserati of Italy is somewhat limited, they remain one of the ultimate rewards for the company executive.

And even though few companies are prepared to make such expensive gestures towards an individual employee, a fair number of these highly sought-after cars are bought for the sole proprietors of successful medium-sized concerns. This often involves instalment payments of up to £1,000 a month.

Around 200 Ferraris were sold in Britain last year through the sole importers, Maranello Concessionaires, whose name comes from the village outside Modena in Italy where Ferraris are made. The Egham-based company has held the U.K. concession for around 20 years and estimates that there are around 4,000 of the cars in Britain, serviced through a network of 16 dealers.

Sales last year were below average, due to the recession, although the company aims at selling around 300 in a good year, with its main competition coming from Porsche and Lotus, rather than Maserati.

With prices ranging from nearly £37,000 for the top of the range BB512, to around £22,000 for the 308 GTBi and 308 GTS models, Ferrari's least expensive model is in the same bracket as Lotus's top car in price terms. However, performance is an important factor in this market and Lotus is competitive in that respect.

The majority of Ferraris sold in Britain are in the lower end of the price scale, but enthusiasts have been excited by the prospect of a new Ferrari model, the Mondial 8, which is now becoming available to replace the 308 GT4 2 + 2. Around 60 are expected to be sold in the UK this year.

Three basic Maserati models are marketed here, the Merak SS at £19,000, the Kyalami 4.2 and 4.9 litre versions ranging between £26,000 and £30,000, and the Khamsin at £30,000.

The sole importers, International Motors, also offer the De Tomaso, manufactured by the De Tomaso group which took over Maserati from Citroen some years ago. International Motors took over the concession about a year ago and is now increasing its dealer network from 10 to 15 in an effort to improve national coverage.

Last year, 16 new Maseratis were registered in Britain, but there are hopes that with improved marketing and service arrangements, this figure will rise to around 50 this year. Sales of De Tomaso models, which range from £18,000 to £24,000 in price, are still small.

While there are few individuals who are in a position to use highly specialised cars such as these for executive purposes, the end of the worst of the recession could mean a revival of demand.

LORNE BARLING

LADBROKE AVON

The future looks promising

THROUGH THE unlikely *medium of a redundant* Post Office telephone kiosk and a lifelong interest in sport, Graham Hudson has been introduced to the possibilities of converting BMW 635CSi saloons to electrically operated soft-tops.

At present his car conversion business of Ladbroke Avon in Warwick concentrates on Jaguar, and several operations have been performed on XJ coupes to make them into soft tops. These are hand operated because there is insufficient room between the back of the rear seat and the boot for the necessary equipment; the hood only just fits in.

"But the BMW has more than enough room" says Mr. Hudson," and I am looking forward to working on one. My German friends are very keen for us to do it over here since they lack the expertise to go ahead over there."

The affair arose as a by-product of the twinning of Leamington Spa with Brughl in West Germany. As an enthusiastic follower of sport, Mr. Hudson has arranged representative soccer matches between the two towns—and suggested the telephone kiosk as a permanent reminder of the twin city of Leamington Spa. The kiosk, in working order, is in the forecourt of the Brughl civic centre.

The handing over ceremony was attended by the head of one of Germany's biggest BMW agents. Having common interests in the motor trade, Mr. Hudson and he got together, and now there are the prospects of another venture for Ladbroke Avon.

It illustrates both the informality with which the business has grown and the way in which mass production limits the choice of model.

The lack of a Jaguar estate car has brought Ladbroke Avon more than 250 orders, largely generated through the prototype winning a major coachwork award at the 1980 Motor Show. Since then, Mr. Hudson's team has converted Range Rovers into shooting brakes, and is currently studying a bullet proof car. His clients span continents, from Europe to the Middle East and on to the Far East.

Mr. Hudson is now looking for a factory site in the area to give him three or four times more space than the present somewhat cramped quarters which limit Jaguar conversions, on which he is concentrating, to two a week.

PETER CARTWRIGHT

ROLLS-ROYCE

A major success in U.S.

IT IS not just the magic of the name that puts Rolls-Royce in a class of its own. It is the fact that despite a price tag and running costs that make ordinary mortals shiver, not enough of the "finest cars in the world" can be made to satisfy demand.

This happy situation was helped by the introduction last year in Europe, and last month in the U.S. of the Silver Spirit series, an immediate sales success everywhere.

Indeed, following the U.S. launch, Mr. George Fenn, Rolls-Royce Motors' chief executive, was prompted to remark that he would not be surprised if the U.S. overtook the UK as the company's largest single market.

"*We are pushing* very hard for a bigger share of the spending money of people who appreciate fine quality products and can afford them," he said. "The only way we can achieve this is by building the finest quality cars, getting them delivered on time and marketing them aggressively."

Rolls-Royce believes a major consideration facing executives in deciding which top car to choose is the resale value of the vehicle. Certainly Rolls-Royce meets that criterion better than most, with second-hand prices showing very low depreciation.

At about £50,000 for the new Silver Spirit, £56,000 for the long wheelbased Silver Spur, £70,000 for the Corniche, £76,000 for the top of the range Camargue and £125,000 for a Phantom VI limousine (about 15 made to order each year and double the price if armour plated), buying one has to be a major decision.

Even so, for many companies—and that is where more than *70 per cent of the cars sold in* Britain go—to have a Rolls-Royce for their chief executive is often looked upon as an essential requirement.

When the company merged with the Vickers group last year, many prophets of gloom forecast everything from the complete dismemberment of the car company to, at the very least, a drop in standards of production and finish.

None of this has come about, although in a continuing review of costs containment, there have been some redundancies, mainly white collar, at the factory at Crewe and the Mulliner Coach Works in North London.

WILLIAM CALTHROP

TVR

Production increases

TVR, the specialist sports car manufacturer, based in Blackpool, is "slowly building up production," says Mr. Martin Lilley, managing director of the company which builds about seven cars a week.

This year the company, which launched its latest Tasmin, a convertible on the market this month, expects to have a turnover of about £3m. Last year turnover was £2.5m compared with £1.7m in 1979.

Not bad for a company whose 100 non-union employees build for a highly individualistic market. Mr. Lilley dislikes comparisons with for example the Morgan. "It is very different as it is the car of previous decades and is more of a toy. The Tasmin cars are more practical," he says.

The UK is still TVR's main market. "We have never sold so many cars in England before," says Mr. Lilley. "Our customers are not so affected by the recession as others perhaps are."

TVR expects to sell about 250 cars in the UK this year while, in a cautious step-by-step approach, it is relaunching in the U.S., where there were problems last year over specifications. Type approval is a major problem for TVR. "Countries all interpret the regulations differently," said Mr. Lilley. "People want to buy our cars in Australia, but we could not afford to specify with all their regulations."

Overseas markets are growing and the company predicts a manufacturing increase to about 10-11 cars a week by 1983.

LISA WOOD

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MORGAN

Busy order book

MORGAN MOTOR, the small specialist sports car builder at Malvern, Worcestershire, is unique in the country in having to step up output to meet demand. The recession has not touched it, though Peter Morgan, the chairman, says he is keeping his fingers crossed. "Things can happen all too quickly in the motor industry," he affirms.

But judging by delivery dates, even for overseas customers, the recession will have given way to brighter prospects by the time he comes to the last customer on his current waiting list.

Put your name down now for a Morgan Four/Four or the Rover V-8 powered Plus 8 and you may expect to get it in seven years. Even in Germany there is a two-year waiting list even though on the Continent as a whole new orders are only half what they have been.

Not that Mr. Morgan is boasting of his good fortune, though he will admit that Morgans are a "kind of special breed." All are hand built in the traditional way on a chasis.

It takes four or five years for a worker to attain the standards looked for and there is pride among the 112 employees. Curiously, the recession has not made it any easier to find suitable people to join the group.

It is this combination of excellence and scarcity plus a little nostalgia, that makes the Morgan a much wanted car.

It has not always been so. Mr. Morgan recalls without effort the mid 1960s when cars were on sale or return and he was never quite certain whether he was making for stock or for customers. It was to get some sense into the order position that agents had to put names to orders.

Last year, Morgan Motor increased output by 6 per cent. In the current year, which ends on May 31, the increase will be 10 per cent. It is what might be called successful motoring.

PETER CARTWRIGHT

RELIANT

A loyal following

NO CAR company would wish for a more loyal following than Reliant Motor.

Unfortunately, loyalty does not disprove the argument in favour of economies of scale and Reliant's adherence to glass fibre bodied vehicles kept it in the low volume end of the market without a sufficiently distinctive label.

At the peak in the mid-1970s the company employed 2,200. The labour force is down to 700, output of Scimitar estates and convertibles (introduced in February 1980) is five a week (though with hopes of going to eight), production of Robins varies from 12-20 a week and, says Mr. Ritchie Spencer, managing director, "we can't afford the money to develop the Kitten."

It was against this background that it was decided to hive off Reliant from J. F. Nash Securities which acquired it in 1977, although Mr. John Nash, with 51 per cent of the equity, remains chairman.

Reliant started its independent life on April 3 with the expectation of a loss before taxation and extraordinary items in the year ending September 30 of about £700,000. This would make the third such loss in the past seven years, during which profits have only been achieved twice.

The £700,000 projected loss reflects an anticipated turnover slide of 20 per cent. Without the new Scimitar convertible it could well have been more than double.

Having slimmed down like the rest of the motor industry, Reliant is looking for new opportunities, especially overseas, and there the outlook is not quite as gloomy as in the home market.

PETER CARTWRIGHT

Worldwide sales increase for Land Rover

FOUR-WHEEL DRIVE VEHICLES

LORNE BARLING

SALES OF four-wheel-drive vehicles in the executive price category have probably suffered less from the recession than most other sectors, with Land Rover — the market leader — reporting improved volumes sold, both at home and abroad during 1980.

Although there has been some short-time working at Land Rover's recently modernised Solihull plant, production levels since the early part of the year have improved and the company is continuing its efforts to increase productivity and remain competitive in price terms.

Overall sales of Land Rovers and Range Rovers world-wide increased last year to 61,300, compared with 54,500 in 1979.

A total of 6,824 Land Rovers were sold in Britain last year compared to 6,418 the previous year, while Range Rover figures for the two years increased from 2,388 to 2,521.

In a comparatively strong home market, much of the recent competition for Land Rover has come from Subaru four-wheel-drive vehicles. Although these are lighter, cheaper and less durable vehicles, they have appealed to a section of the market which is prepared to accept these limitations to reduce both initial costs and save on fuel.

International Motors, the sole importer of Subaru vehicles, puts UK sales last year at more than 5,000 units and claims this was limited by availability. Subaru models now on sale are the 1,800 cc saloon with off-road capability and the MV pick-up version, both of which have dual range gearboxes. The former retails at around £5,800 and the latter at about £4,500.

Fuel consumption is in the region of 30 miles per gallon, and sales have been largely to the farming community and anyone with the need for cross-country capability. One recurring criticism of Subaru vehicles has been on the subject of rust, which was severe on some early models, particularly those subjected to rough treatment on farms and building sites. However, it is claimed that later models have improved plastic linings and rust-proofing.

Daihatsu, another Japanese four-wheel-drive vehicle which is sold in nine variations in Britain through TKM Vehicle Services UK, has also mounted a challenge to the position of Land Rover, but with prices ranging from £5,300 to £7,200, it is less competitive in that respect.

The importers claim an increasing share of the agricultural, leisure and building industry market for this type of vehicle, with imports said to be running at between 2,000 and 3,000 vehicles a year. Another Japanese challenger is Toyota, but its activities in Britain are limited in comparison to the significant inroads it is making in overseas markets, particularly in Africa and the Middle East.

TKM Vehicles, which took over the Daihatsu franchise in 1979, also imports the robust Jeep products from the U.S., notably the Renegade and Cherokee. The former, priced at between £5,500 and £7,300 is sold for a variety of uses, ranging from the fashionable London buyer to construction companies for rough terrain work. The Cherokee, at prices between £10,300 and £12,600 is also suitable for very demanding work and is unique in terms of power, though thirsty on fuel.

However, the British market remains a comparatively small part of the battleground for four-by-four sales, and Land Rover's drive for improved productivity is largely aimed at enabling it to improve its position abroad. Until recently, its overseas sales had been limited by lack of production capacity, but with around £250m now being invested in new production facilities and rationalisation, delivery periods have shortened dramatically.

Around £30m of this investment has gone into a new V8 engine production line and the V8 powered Land Rover version, with a similar drive train to that of the Range Rover, is now selling well in foreign markets where increased power rather than fuel economy is often preferred. Overall, Land Rover and Range Rover production capacity will have doubled between 1980 and 1983.

With around 80 per cent of Range Rover and Land Rover production now being exported, the high value of sterling has been a serious problem in many countries, but BL is encouraged by the increased volume of sales last year in difficult circumstances. The main competitors in important African and Middle Eastern markets are again Toyota and Daihatsu.

Having established a reputation for robust vehicles, Land Rover is now aiming to link improved quality with better factory productivity, since overseas prices which are inflated by sterling must be justified by vehicles which cannot be faulted. There are also plans to bring out an improved version of the Range Rover which will allow more efficient use of space and give added flexibility.

Overall, the most important section of the world market for four-wheel drive vehicles is the large number purchased by Government, military and parastatal organisations, usually in large batches and usually to a precise specification. Land Rover recently won a contract to supply 3,000 vehicles to Libya, and foreign purchases of this kind make up a high proportion of exports. About 60 per cent of all sales are to organisations of this kind.

Remarkable changes in the last eight years

TURBOCHARGING

MATTHEW SYMONDS

EIGHT YEARS ago the only people who had heard of turbocharging were motor-racing buffs and lorry drivers, but today almost every other new up-market car sports a turbo and some industry insiders reckon that by the end of the decade cars without turbocharging will be the exception.

The first European production car with turbocharging was a 170bhp BMW 2002. It went like a rocket as long as the engine was doing more than 6,000 rpm, but it had the reputation of being difficult to drive and came with the sort of flared wheel arches and spoilers that appeal more to rock stars than sober executives. It also made high petrol demands at a time when the Arabs were beginning to escalate oil prices. In the end, it was "a car which died of embarrassment," said one observer.

The next blown four-seater was a very different affair. This time it was Saab. The Swedish company, with the benefit of experience from its truck division, slipped a turbo into the rather staid 99 in 1978. It not only gave Saab a new image and transformed the 99, but it announced the turbo's coming-of-age.

In short, the Saab Turbo made the whole idea of blown cars acceptable to a far wider market than had hitherto been imagined.

The beauty of the turbo for Saab—and for every manufacturer which has followed—is that the enormous tooling and development costs of producing a new engine in the six or eight cylinder class, (with necessarily fairly low production volumes), has been avoided.

By putting a turbo into the slightly stolid Audi 100 with the 2.2 litre five-cylinder engine and throwing in a lot of equipment into the standard specification, VAG (Volkswagen Audi Group) have produced a £13,000 car capable of taking on the big BMWs and smaller Mercedes.

A little lower down the price ladder comes the Saab 900 Turbos. The 99 Turbo, which set the turbo ball rolling, has just been discontinued, but Saab offer the bigger 900 in three and five-door hatchback form, as well as a new four-door notchback.

While some buyers might question having to pay more than £11,000 for a four-cylinder 2 litre, they would be misunderstanding what the Turbo is all about.

If the Audi and the Saab are both fairly expensive ways to discover the joys of turbocharging, Renault have led the way to a lower turbo price plateau with their new 18 Turbo which sells for under £6,600. The importance of the Renault is that it shows what can be done to a very ordinary family car which competes in the fleet market with the Ford Cortina.

Using their Grand Prix and rally experience—the mid engined Renault 5 Turbo rally car makes that early BMW look positively restrained by comparison—Renault have changed their elderly 1,647 cc engine into a power plant with the characteristics of a smooth two litre.

Nearly every maker is currently either testing or offering turbos. In Japan, Datsun, Toyota and Colt all offer turbos on their executive flagships, though not yet in the UK. Volvo have introduced a turbo in Europe. Citroen, BMW and BL are all said to be close to putting turbos into production.

Ford have a turbo Mustang in the U.S., but have encountered some durability problems, while Opel should be in a position to benefit from its GM parent's experience—General Motors is already the world's biggest maker of passenger cars with turbos. Another way in which the turbocharger is being increasingly exploited is in giving diesels petrol engine performance.

RAPPORT

Diversity is the answer

FOR THE more senior executive whose company has placed cost restraints on his choice of vehicle, Rapport Motor Corporation, the London-based specialist vehicle constructors believes it has the answer.

In larger corporate bodies in particular, the type of company car provided is a direct reflection of the pecking order of his position, an image jealously guarded by many.

But with many firms — for various reasons, not all economic — taking a closer look at their executive fleets, many people are being told to choose smaller, less expensive cars.

For the man used to driving a car in the £18,000 price range, moving down market to the £12,000 bracket, can be very demoralising.

But Mr. Ian Leaf, Rapport's chairman, reckons the Ritz is just the answer. "In the Ritz we have a compact size car, based on the Honda Accord Executive, but restyled and fitted with every possible extra, giving it, at just over £11,000, the luxury and distinctiveness of a car twice the price," he says.

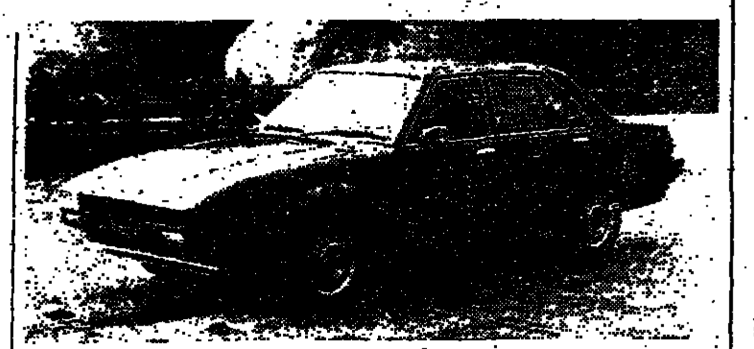
Certainly it would appear to be a sensible alternative for a cost and image-conscious executive aware of the feelings of those who consider many of the vastly expensive to buy and run cars to be nothing short of anti-social.

"In this car, as with our other products, we aim for discreetness in design as well as creating a car with individuality," Mr. Leaf says. Only about 40 are made a year, with demand somewhat in excess of this figure.

Rapport also converts two-door Range Rovers to four doors and, through their Armalite division, are leaders in the field of armouring cars and other vehicles.

The present downward economic trend has hardly affected sales. "For us, diversity is the key. We only make a few of the Ritz models each year and could easily double that to meet existing demand. But we believe we fill an important gap in the market and don't intend to sacrifice quality for quantity," says Mr. Leaf.

WILLIAM CALTHROP



The individual style of the Rapport Ritz, based on the Honda Accord Executive, is clearly evident here, particularly the unique aerofoil at the front, which is electrically operated, rising horizontally when operating the headlight on high beam without impeding the aerodynamics of the car.

With every possible luxury from wood grain panels to air conditioning, this compact-sized car fills an important gap in the market for the senior executive who wants all the extras, plus individual styling without the opulence of a bigger and more expensive vehicle. And in the Ritz he obtains this for about £11,000.

CRAYFORD

Conversion experts

ONE OF the few motor companies which is working at full capacity at present is Crayford Auto Developments, a small concern based at Westerham, Kent, which specialises in conversions of every type, ranging from convertible Metros to bullet-proof Mercedes.

The company is constantly on the look-out for popular models for conversions, and has been particularly successful with a convertible version of the Mercedes 280 CE. A large number of its cars have been seen at motor shows around the world, an important sales factor since a high proportion of its work is for export markets.

Crayford also accepts one-off conversions, such as a recent request to turn a Mercedes sports car into an estate version, but the price of that sort of work often discourages potential customers.

However, much of its work is small volume conversion of popular cars, and it will soon be producing Metro and Fiesta convertibles, hopefully at the rate of around 200 a year.

Mr David McMullen, joint managing director of Crayford, who spends much of his time meeting customers abroad, bemoans the lack of large British cars suitable for conversion, pointing out that Rover is sold abroad in such limited quantities that it has little potential.

Another major part of Crayford's activity is the manufacture of prototype vehicles for the major motor companies, many of which seek outside assistance due to the delays on this kind of work experienced internally.

Although Crayford employs only 20 people, it has established a reputation for good workmanship, which appears to have led to the delivery of the £58,000 bullet-proof Mercedes abroad without so much as a preliminary inspection by the customer.

LORNE BARLING

PANTHER

Cautious approach

A TOUGH new commercialism is the name of the game for the Panther company, the specialist car maker in Surrey which was bought from the receivers last November by the head of Jindo, a South Korean manufacturing group.

For Panther is taking a cautious approach in resuming output and has no immediate plans to return to the peak of ten vintage-style vehicles a week it produced before the Midland Bank called in the receivers.

Mr. Graham Arnold, the company's marketing manager, said: "We are producing as few cars as possible—about two Limas a week, plus one J/72 a month and one De Ville every three months—for that is all the current market will take. If the order book becomes longer, the queue will have to get longer. We will only increase production if we have assurances of long-term volume demand."

The new company—under a partnership between Mr. Young C. Kim, Jindo's president and Mr. Robert Jankel, the founder of Panther—is a streamlined operation. Only a three-model range of Panther cars are now manufactured (prices ranging from about £10,000 for the Lima to more than £27,000 for the J/72) and the workforce has been reduced from about 200 to 30 skilled craftsmen.

The new, more aggressive approach includes the introduction of a car-sharing scheme, stage payments during the construction of the custom-built vehicles and the discontinuation of a formal dealer network. Garages are now being encouraged to make one-off presentations of the Panther models as crowd-pullers.

One London dealer, for example, will combine a showing of the new Panther range of cars with a fashion show, later this month.

The latter presentation is an ideal setting for the "fun" Panther models, they being essentially visual cars.

Panther, which anticipates a turnover of about £1m in 1981, with about 50 per cent of sales overseas, is also exploring the possibility of building motorcycles reminiscent of pre-war British bikes.

LISA WOOD

Plenty of choice for the buyer

THE FUTURE

JOHN GRIFFITHS

LAST YEAR was a bumper one for new model introductions, against a background of fierce rivalry for sales in the UK and Europe. This year stands to be little less active, particularly for the UK.

Among the new crop of cars, or fresh variants of existing ones, which should be seen in the future are the following:

From Alfa Romeo, and potentially slotting in to the bottom of the executive car sector, are hatchback versions of the nine-year-old, but still greatly respected, Alfasud. The model has grown substantially since the first 1.2 litre versions were introduced. In particular, the 1.5 litre Sprint coupe, at £5,760, has found a following among young executives.

The hatchbacks are expected to arrive about mid-year. UK distributors Bell and Colvill have, meanwhile, produced a turbocharged version of the Giulietta 2 litre saloon selling at £7,750.

Audi stirred up the traditional "supercar" fraternity with its 135 mph four-wheel-drive Quattro coupe, which has just gone on sale in the UK in limited quantities—together with the milder, 110 mph 80 coupe—at £14,500 against the expected £17,000. Audi has been investing considerable sums in making more youthful its rather staid image—notably through rallying and national racing programmes—and is planning a fuel injected 136 bhp engine for the just launched coupe, together with a five-cylinder unit for its smallest, 80 saloons.

Turbo-diesels for both the 80 and 100 saloon models are also said to be on the way, with what is rumoured to be a very dramatic-looking replacement for the 100 model reported due in 1982. "Super economy" versions of both Audi and Volkswagen models are now emerging, with a "Formula E" designation. Electronic ignitions and overdrive fifth gears are significant factors, together with aerodynamic aids. Sample fuel consumption figures on the executive class 100 L are (standard model's consumption in brackets): at 75 mph, 34.9 mpg (31.0), 50 mph, 46.3 (41.5), urban, 29.7 (23.2). All models have an indicator showing when to shift to a higher gear for maximum economy.

BL, buoyed up by the greater than expected success of the Metro, will get further filip in September with the launch of the Cowley-assembled Triumph Acclaim, nee Honda Ballade, or as some would have it, the Blonda.

BL has said it views the Acclaim more as a replacement for its now-defunct Dolomite range than as a competitor for fleet sales against Ford's market-leading Cortina. Output of the 1.3 litre, three-box saloon—its lines subtly changed to suit European tastes—is scheduled to be 60,000 a year. It is the Ital, launched last July—a 2 litre automatic version more recently—which is supposed to try to hold the fort in the fleet market until the arrival of the all-new LM 10 hatchback in 1983.

Goodwill

The question is whether, given the latent spring of goodwill towards BL tapped by the Metro, BL will also find itself facing greater demand than expected with the Acclaim. The fact that it comprises mainly Japanese-designed and made parts may well tell against it. Equally, there is a chance that the beleaguered company may find itself again pleasantly surprised.

At the same time, changes are due to the Rover range—leaving aside its long-term future, and whether, in the mid-80s, it becomes just one more variant on the upcoming LM floorpan—to take account of heightened concern with fuel economy. That means installation of the 2-litre "O" series engine now fitted to the Princess (the quieter, "Princess 2" version launched three months ago), TR7 and Ital, with a mild reskinning of the now five-year-old car.

Both are expected early next year, along with a much revised and hatchbacked Princess. By that time, the knell may have sounded for BL's last sports car, the Solihull-built TR7 — and consequently, it might be said, for BL's attempts to stay in the U.S. market, where the TR is its mainstay.

BMW, in spite of the absence of any radical new models during the past couple of years, has nevertheless managed to go from strength to strength in the UK market, its market share last year rising from 0.82 to 0.89 per cent. But by the autumn, its current mid-range 5-series cars will have been replaced by a sleeker, lighter "5" range, covering six models and more fuel-efficient engines, although it is not absolutely certain at what stage its hyper-economical ETA petrol engine or the turbocharged diesels being produced in Austria in association with Steyr-Daimler-Puch will make their bow.

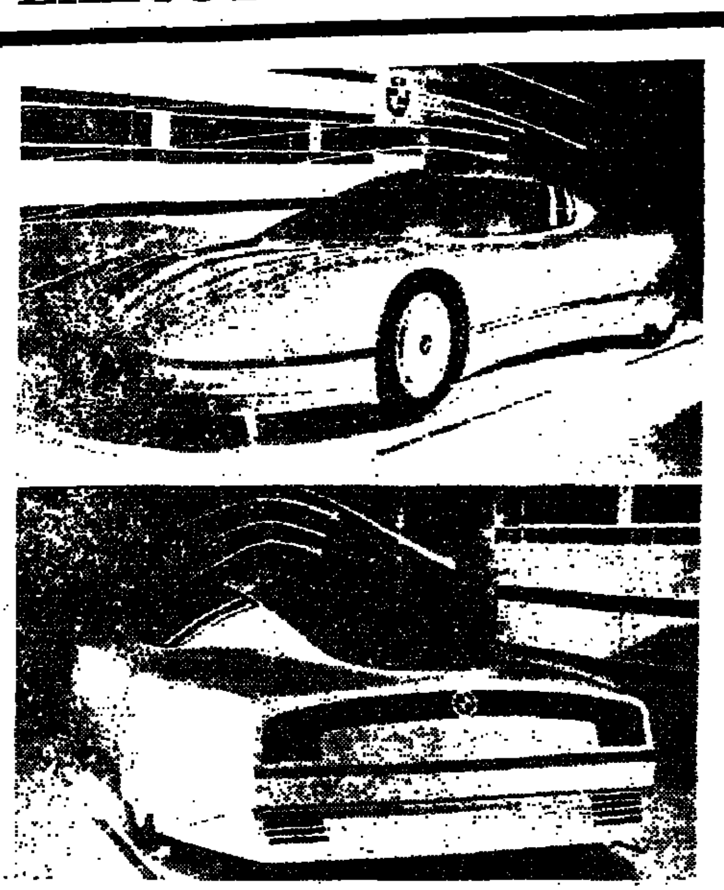
Citroen, which at the end of last year extended its range of smaller GSA hatchbacks, recently introduced a fully automatic ZF gearbox to its CX executive car range. But there is no clear indication of replacements for the idiosyncratic cars which have now been around for some years in their present form but which remain technologically advanced, and somewhat complicated.

Colt, the name under which Mitsubishi's cars are sold in the UK, has revised its Sapporo executive coupe and Sigma saloon, but is now joining the turbo ranks with the launch in the UK of its 2000 Lancer Turbo, a 125 mph saloon just going on sale at £8,299. Given current restraints on Japanese makers' volume of sales in the UK, one might as well go for raising profit per unit . . . .

The same might be said of Datsun, launching a new executive contender, the distinctively European-looking 2.4 litre Laurel—a far cry from its American-influenced predecessor which sat uneasily on British roads. It is to retail at £6,635.

Fiat, thanking heaven for a buoyant domestic Italian market last year of which it accounts for a half-share, has seen its overall European market share slide to about 5 per cent, even though its 127 model two years ago was the single best-selling car.

But its dearth of new models is coming to an end, with £1.4m investments planned to 1985.



Aero-dynamic tests being made on a new BMW design

Now that Ford has the launch of its Escort "world car" out of the way it is looking to the end of next year for the launch of the Cortina replacement—code-named Toni—which will buck current trends and retain rear-wheel drive. Its significance to the company can hardly be over-emphasised, given the Cortina's dominating position—about 12.5 per cent of all sales—in the UK.

Honda, meanwhile, has just launched the elegant Quintet hatchback, nibbling at the bottom of the executive sector at £5,285, though still below the Accord Executive, which at £5,990 has as standard features, including air conditioning, what on other cars would be an options list a yard long.

Mazda is also edging onto the executive bandwagon, with a revised Montrose medium saloon range again with a strongly European emphasis, though the UK-owned importers have bowed to makers Toyo Kogyo and now used its world-wide appellation as the 626. Two-litre coupe versions are selling at £5,849.

Mercedes is another European company forging ahead in the UK. To the more aerodynamic and fuel efficient S class cars launched last year, it earlier this year added a pair of new four cylinder, lighter engines of 2.0 and 2.3 litres for its smaller, W123 bodied saloons.

Five-speed gearboxes, and S-class automatic gearboxes are just some of the further innovations expectable at the Frankfurt show later this year, along with more improvements to its coupe range.

Not least, Mercedes is now offering anti-skid braking systems on all its range—expensive at about £800 but surely the biggest single safety advance for many a decade.

Peugeot, whose UK dealers are joining forces with those of its subsidiary, Talbot, to forge an 800-strong network, is trying hard to resolve the two marques similarity of models. But it will be a long time before a truly rationalised range evolves. In three days' time, the group's latest executive car, the Talbot Tagora, goes on sale in 2.2 and 2.6 litre versions and prices ranging from £7,000 to £10,000. It arrives at a time when big car sales have been declining, and when one of its closer rivals is likely to be Peugeot's own 604.

Toyota is also taking a harder look at the executive market with a revamped Cressida range which, for the first time, includes a diesel option.

Meanwhile, Vauxhall and Opel, General Motors' European twin subsidiaries, are also merging their UK sales and marketing operations, with a solid strategy yet to be arrived at. Their thinking needs to have clarified before the autumn, when the front-whell-drive "J-car" replacing the Vauxhall Cavalier/Opel Ascona is due to go on the UK market.

Dramatic changes in components

TECHNOLOGY

KENNETH GOODING

THE PACE of change in automotive technology is so fast that anybody buying a car this year is likely to find that it has become particularly dated by the time he comes to change the vehicle in a couple of years' time.

The cars of the mid-1980s will not *look* much different from those of the late 1970s. But the miles-per-gallon, or kilometres-per-litre figures will reveal all.

A family car which can do 30 mpg today will typically go 40 to 45 miles to the gallon and mini-sized cars will achieve 50-60 mpg, instead of the present 40 or so. For, although there will be no radical change in car design over the next few years, there will be dramatic developments and changes in the components which go to make up the vehicle.

Refinements

Manufacturers can use computer-design techniques to improve aerodynamics. But they realise all too well that they are in the business of selling consumer products and that the average motorist is fairly conservative. He might admire an unusual shape. But will he pay out good money for it?

However, it is possible to refine current car shapes without making them appear to be dramatically changed. Refinements will reduce the air resistance of cars in the VW Golf class, for example, by up to 30 per cent. That would mean a fuel saving of 10 to 15 per cent.

The manufacturers' main thrust towards fuel efficiency involves them reducing the weight of cars. In the U.S., the industry is spending around $40bn during five years to "re-invent the auto." But the Americans have a relatively simple task considering how large and ornate their cars used to be, when compared with the one facing the European manufacturers.

The European will, though, achieve a reduction of between 10 and 20 per cent in the weight of their cars over the five years to 1985. This will involve increased use of materials such as aluminium, glass fibre and plastics in construction.

For instance, Peugeot expects 40 per cent of its cars' exterior bodywork to be made of plastic by 1985. A similar percentage will apply to interior components, excluding major mechanical assemblies.

Exterior parts are likely to include wings, bonnet, boot-lid, door-frames, rear windows and bumpers. It is also possible that the steel wheel will disappear, replaced by much lighter ones made of glass carbon fibre reinforced epoxy.

Peugeot has already incorporated all the plastic parts likely to appear in its 1985 models in an experimental car, based on its 305 saloon, named "Project Vera."

Its specification includes plastic cylinder head cover, radiator and pedals assembly. A variety of plastics, including polyurethane and treated polycarbonate, were used, producing a direct weight saving of 200 pounds.

However, this is not to suggest that steel will go out of fashion as a material for cars. To take a couple of examples: nearly half the weight can be cut from a clutch or brake pedal by making the arm tubular, instead of solid. Some new steel valve covers and sumps are nearly as light as plastic because they have paper-thin walls with a steel wool filling. This gives a bonus because it damps down noise.

Robots

The use of robots to assemble body shells has enabled a good deal of weight to be taken out of the steel shell without any loss of rigidity.

This is partly because computer techniques enable designers to save weight by avoiding the unnecessary use of materials where strength is not required. And, partly, it is because a robot does the same job exactly in the same way, time after time, so there is no need to make allowances for possible human error on the tproduction line. Where an inch or so of overlap might have been worthwhile when people were welding bodyshells, half an inch will do for robots.

Reducing the weight of a car also allows a smaller engine to be used for the same performance—and a smaller engine saves more weight. Volkswagen is working on more compact engines with savings in length of between 2½ to 6 inches, depending on power output. They will be harnessed to less-bulky fuel tank systems and have smaller radiators. However, they are probably a little further away from introduction than 1985.

Computers

The cost of electronics in the car, currently about 9 per cent of the total, will rise to around 15 per cent by the mid-1980s, according to many forecasters.

A driver with a heavy foot can cancel out most of the savings produced so expensively by the manufacturer. Therefore, in-car computers will become commonplace to give the driver valuable information about such things as fuel consumption, speed, engine speed, tyre pressures, state of the brake fluid, oil levels and so on.

BMW has a computer, not too far away from introduction to its cars, which analyses the kind of motoring over a period and advises on servicing. If there are lots of short journeys, then the computer says you should not wait too long between services. Plenty of high-speed journeys on motorways and you can go right to the recommended limit between services.

And executive car-makers, such as BMW and Mercedes, as well as General Motors, which wants to keep supplying cars to take six passengers and yet still meet the U.S. Government's requirements on corporate fuel economy, have improved the petrol consumption of large engines by simply using a computer to shut off some of the cylinders when they are not required.

These so-called cylinder cut-outs will be quite common on the executive cars of 1985.

Ian Rodger looks at a fast-growing industry and considers how it is likely to develop

Britain's money brokers corner the market

IMAGINE AN industry that has enjoyed explosive growth in the last decade and in which British-owned companies quickly consolidated a dominant position at home and then aggressively moved abroad to establish undisputed world leadership.

There is no need to imagine it. This is the true story of money broking, a business as old as the need to exchange dollars for pounds but which suddenly became big business in the 1970s following the collapse of fixed exchange rates between major trading nations.

Money brokers, as their name implies, bring together buyers and sellers of money—specifically, currencies — at the finest possible terms.

While ordinary people may not be too concerned about the exchange rate they get on a few hundred pounds for a holiday, the world's banks, which are the brokers' main customers, deal in millions of dollars a minute and so a hundredth of a cent on the rate makes a significant difference.

No statistics exist on the money broking industry but the combined annual commission revenue of the London broking firms has probably grown from only a couple of million pounds in 1970 to more than £100m last year.

Profits have been depressed in recent years as brokers invested heavily in international expansion but last year earnings grew about 50 per cent on average and combined pre-tax profit of the London brokers may have been about £20m.

The brokers' strength abroad is shown by the fact that in New York, the world's largest money market, all but one of the major money broking companies are controlled from London. In other international financial centres, such as Singapore, Hong Kong and Bahrain, the London brokers make all the running as well.

Perhaps in part because of their success, the London brokers have faced charges in recent years of operating a cartel in their City of London base. A number of events this year, including the divestment a few weeks ago by Gillett Brothers Discount of the last money broker to be owned by a discount house, seem finally to be clearing the air.

Even without a cartel, the high cost of operating international branch networks—one leading broker cites an annual telephone bill of £10m—is beginning to shake out weaker companies. The number of brokers in the London association has dropped from 18 in the mid-1970s to 14 and many industry executives expect only six large companies to survive in the medium term.

Money brokers have to run hard to survive. Commissions are extremely low—£4 for a $1m deal, for example—so volume must be very large. When markets are quiet, banks can take the time to deal directly with each other, thus cutting out the brokers.

On the other hand, London brokers have had some clear advantages over foreign competition and, until last year, enjoyed some support at home from the Bank of England.

Perhaps the most important move was opening the City in 1974 to international money broking—that is, permitting brokers to handle deals between London-based and foreign banks. Previously, they could broke only between London banks.

International broking is still restricted in many places—New York was opened up only in 1978—and that has given the London brokers the opportunity to set up offices abroad in anticipation of liberalisation. Tokyo is the next target and two big brokers already have offices there.

Much of the brokers' growth has come from new services. In foreign currencies, for example, markets in forward as well as spot transactions have developed as more people try to hedge against losses on currency fluctuations. However, spot transactions still account for more than 90 per cent of the total.

By far the most important new goods in which the brokers deal for their bank clients are currency deposits, mainly of Eurodollars. In this market the brokers are putting together a bank that wants to borrow a currency with one which wishes to lend for any period from overnight to five years.

Currency deposits account for about one-third of total volume. But commissions are higher on deposit deals, so income from the two sources is probably fairly closely matched.

All of this activity takes place in big dealing rooms where brokers work in teams covering each market. Each broker has an array of buttons in front of him representing direct telephone lines to different banks. When a light on a button flashes, that is the sign that a bank trader has picked up the line and wants to buy or sell—or borrow or lend, depending on which line he has picked up.

Not surprisingly, this is a young person's game. The average age of money brokers is slightly under 30 and the industry has clearance from the Inland Revenue for full retirement at 55 and early retirement at 50.

The sight of very young people dealing in huge amounts of money is unnerving to some, but the brokers have elaborate procedures to protect against loss. For example, all telephone conversations are taped and telex confirmations are sent out on the day of a transaction. Spot transactions must be settled within 48 hours.

Roger Taylor

The average money-broking deal is for about £3.5m. Harlow Meyer calculates that it handled 31 dollar-sterling transactions in 26 minutes one day last September, but these averaged only £1.3m.

Kickbacks to bank dealers are said to have been rife in the 1930s before the Bank of England assumed a regulatory role and required a fixed commission schedule.

When the foreign exchange markets reopened in 1951, the Bank delegated to the brokers' association the responsibility for policing the industry and screening new companies wanting to joint the market. The Bank merely advised all the banks in London that they should deal only with members of the association in good standing.

Inevitably, however, it was attacked as a cartel.

The trouble began in 1977 when Sarabex, a Middle East money broker with a London office, complained that the association was refusing to let in new members and thus preventing it from doing business with banks in London.

As a result of the case, the Bank of England took over direct responsibility for screening new brokers and set out specific criteria. When Sarabex initially failed to qualify because it had ownership links with a bank, it pointed out that a few existing brokers were still owned by discount houses.

(The problem with links between brokers and banks or discount houses, is that the broker might tip off its related bank of any significant move in interest rates that is about to occur before letting other customers know).

The discount houses had begun buying money brokers in the late 1960s but gradually decided it was not a good idea. In some cases, the broking operations were not successful, in others there was a social clash between the stolid, gilt-edged discount men and the shirt-sleeved Cockney brokers shouting exchange rates into their telephones.

There was also a more fundamental conflict between the two businesses. Discount houses buy and sell securities for their own account or "book" and try to make a profit on the difference. Brokers earn commissions by bringing buyers and sellers together: they are not allowed to buy and sell currencies for their own account.

The clash between the two arose when the money brokers wanted capital to expand their operations but the discount houses did not want to divert funds from the capital base on which they built their books.

Thus, one by one, the discount houses sold their money broking operations, often to the employees concerned. By mid-1979, Gilletts was the only one left with a broking business. Last month it sold Kirkland Whittaker to another broking company, Charles Fulton, for about £2.8m.

By coincidence, other problems posed by the Sarabex affair have been resolved recently. In the past month, for example, the European Commission has finally approved the brokers' association's rules and regulations as not being in restraint of trade.

Also, the Bank of England and the brokers have had an opportunity this year to show that they really are open to new, foreign brokers by accepting Bierbaum and Company, the German money brokers, the first to attempt to come to London since Sarabex. Bierbaum is making an agreed reverse takeover of R. P. Martin. As for Sarabex itself, its London office is up for sale.

The industry now seems remarkably free of problems, especially in the context of the sharp recovery of profits in the past year or two. Of the quoted companies, Mercantile House reported an 85 per cent rise in profit to £2.6m in its year to October 31, 1980 and R. P. Martin had a profit increase of 87 per cent to £978,000 in its year to June 30, 1980. Profits in the six months to December 31, 1980 soared 2½ times to £705,000. The current high ratings on the shares of these two companies indicate that the market expects further strong growth this year.

Analysts cite the continued expansion of international banking, the further development of the North American market and the likely opening of Japan as reasons for short-term growth. Most brokers also need to expand their European coverage.

There are also possibilities for further expansion of services. Mercantile House has moved strongly into commodity broking in the U.S. and it and others are looking forward to the establishment of a financial futures market in London, which they see as an extension of their forward foreign exchange dealings.

However, the consolidation of the industry is likely to accelerate. At present, Mercantile House, Astley and Pearce and Harlow Meyer Savage dominate the industry with a combined market share of about 60 per cent. Charles Fulton may not be far behind following the Kirkland acquisition and R. P. Martin has been given a boost by its proposed merger with Bierbaum. Other strong candidates for the future include Guy Butler, a Malaysian-owned company, and Tullett and Riley, a company started only in 1971 by two London brokers.

The industry is vulnerable on at least two fronts. The first is volume. Commissions are infinitesimal and the brokers have built up highly costly organisations on very small capital bases. If there were a serious prolonged fall in the volume of exchange and currency transactions, they would be in trouble. However, few would dare forecast a long-term decline in foreign exchange movements.

The other threat comes from the computer. Reuters is already operating a computer-based market and has attracted several bank customers.

But the brokers say they have not felt any difference in volume and are not worried. "This is a peculiar type of personal business," one said. You need a feel for markets and computers haven't got it.

"Computers don't buy lunches."

Letters to the Editor

Civil service pay

From Mr. R. Chapman

Sir,—Although, as a civil servant, I have not received rises quite as large as those quoted for the public sector in Mr. Evers' letter (May 13) the figures given for both the private and public sectors are indicative of a trend and are interesting for what they do not show as much as for what they do show.

The main thing these figures do not prove is that civil servants are now 6 per cent better off than private sector employees. The fact that both public and private sectors received 25 per cent in 1979-80 is coincidence. The civil service rise for that year was based on comparison with what the private sector earned in the previous year and was rather high because there was a substantial difference to be made up following several years of incomes policy with which we had co-operated fully. The figures show that although the civil service rise in 1980-81 was based on comparisons, we received 20 per cent while those we were compared with had received 25 per cent. Mr. Evers' figures show that the private sector then enjoyed rises of 14 per cent in 1980-81. And the civil service is told to accept 7 per cent. On this occasion there is no pretence of comparison or fair treatment.

If Mr. Evers is right, however, in suggesting that some parts of the private sector use the delayed rises paid to civil servants as a basis for current claims, then I agree that a harmful spiral would result. But several Governments have sought alternatives to pay research for civil servants and failed to find anything better. On the other hand the private sector does have other criteria on which it can base its salaries. Indeed, the justification for comparability in the public sector is based on the assumption that the private sector will use other criteria, such as profitability.

I do not see why the fact that the current system may be misused, and even misunderstood, by the private sector should be grounds for throwing the civil service into turmoil.

Roger Chapman,
7, Newton Close,
Hoddesdon, Herts.

How a union works

From Mr. P. Willsman

Sir,—As a delegate to the recent Association of Professional, Executive, Clerical and Computer Staff annual conference I am a little puzzled by the arguments in Roy Granthan's letter (May 8). He misquotes the relevant section of the resolution, which actually read—"the manifesto to be drawn up by the NEC and PLP, but final approval to be by the NEC."

This section was not "tucked away," rather it was the last of three paragraphs of a fairly short resolution. Roy Granthan seems to be inferring that if a delegate does not mention a certain section of a resolution when moving it, then this particular section is somehow not valid and can be ignored if conference carries the resolution. This is a most preposterous suggestion and does not merit serious consideration. As even the most inexperienced delegate knows, conference votes on the actual wording of resolutions and not on what speakers say or do not say.

It is true that the conference passed the executive council report for 1980 but this reported on action taken by APEX in 1980, in particular at the 1980 Labour Party conference, and the relevant reference in the report is as follows—"The APEX delegation voted against the NEC having the sole right to draw up the Labour Party manifesto." There are two points here. The 1981 APEX conference was formulating future policy for our union and thus decisions taken at this conference supersede a report for last year. The resolution carried in 1981, clearly stated that the NEC and the PLP shall draw up the manifesto and thus it is not in fact in contradiction with the executive council report for 1980.

Roy Granthan not only completely ignores these latter points, but suggests that in future APEX will continue to vote against final approval for the manifesto resting with the NEC. How can a general secretary on his own authority make such a statement, completely ignoring a decision by conference and without consulting the APEX executive council, or the APEX delegation to the Labour Party conference? APEX maintains it is a democratic union. As such we expect it to honour the decisions of its sovereign body, the annual conference, even when (and especially when, if we are to be democratic) a decision runs counter to the personal preferences of a section of the leadership.

Pete Willsman,
3??h Plumstead High Street,
SE18.

Merseyside's problems

From Mr. David C. Roberts

Sir,—As a member of the chamber of commerce may I comment on your Merseyside survey (May 8).

The basic problem of Merseyside during the 1970s, was that its long-term strategy of investment had been placed in their wrong priorities—an ailing airport and now the inner city motorway are classic examples.

But despite this, the local authority is firmly convinced these projects will contribute towards attracting new industry and investment into the area, contrary to the forecasts made by industrialists and economists that these two issues will be of no benefit whatsoever for Merseyside.

The airport, subject to much debate, publicity and controversy during the 1970s, is playing a lesser role now than it has in the past decade. Financial deficit recorded on operations, claimed to be the highest within the UK, is due to the close proximity of Manchester's expanding airport and catchment coupled with the aerodrome's excess capacity for the little traffic using it.

However, the port, which in recent years has been overshadowed and neglected by those in authority (in favour of saving the airport from the threat of closure), has led to the inevitable collapse, with yet more redundancies. A £50m Seaforth Dock complex designed to put Merseyside back on its feet again, thus rivalling Rotterdam as a Europort, failed miserably to do so. High port charges levied by the port authority has certainly had a desired effect on the port's future prospects, particularly importation of large tonnages of edible oil, lead, copper, and other lucrative traffic, lost to other ports.

With rising unemployment becoming an established way of life, predictions have been made that Merseyside's unemployment will rise to 25 per cent of the population, and areas such as Speke, may even exceed 70 per cent during the 1980s.

Awkward labour relations, poor productivity, coupled with substantial increases in rates, water rates, since re-organisation of local government, have attributed to Merseyside's decline. Even doubts are being raised whether the Ford's Halewood plant will survive since the recent announcement by the company to slim down its UK workforce, and increase productivity to remain competitive.

With these prospects in mind, hence it is vital that Merseyside concentrates its activities more towards the important factors facing the area, rather than squander millions of the ratepayers' money on the airport and the inner city motorway, by re-investing into education, improved housing, and the police, thus making Merseyside more attractive and presentable to the outside world.

David C. Roberts,
30 Arklow Drive,
Liverpool.

The insurance ombudsman

From the Chairman of the Council, Insurance Ombudsman Bureau

Sir,—It is to be expected — and respected — that insurance companies which did not take part in the initiative to set up the Insurance Ombudsman Bureau wish to take a little time for observation of how this new dispute settlement procedure will work. I hope they will not hesitate to make direct enquiries to satisfy themselves that the Ombudsman is performing his duties with impartiality and with understanding of insurance law and good insurance practice. Advice based on experience is very welcome in guiding the bureau and much has already been forthcoming.

I hope, however, that criticisms will be withheld until there is some experience on which to base them. The IOB is seven weeks old. When the chairman of the Co-Operative Insurance Company says that we are 'cumbersome' he cannot yet know how expeditiously and effectively the Ombudsman is dealing with the initial flow of 140 problems put to him during his first weeks of operation. The criticism that we are 'expensive' surely cannot mean that £100,000 is an excessive sum, divided between members, to spend on ensuring that policyholders are genuinely satisfied and not merely submissive about decisions taken in disputed cases. It may not be fully realised that the existence of the IOB in no way impinges on the established complaints machinery of the member companies, which must have been used to the full before any complaint can be referred for adjudication.

The chairman of CIC feels that the IOB will introduce 'an undesirable element of uncertainty into insurance practice.' For some policy holders the 'certainty' of present dispute settlement rests in the fact that at the end of the day they must either accept their insurer's decision or take the company to court. For most individuals the latter course of action is unthinkable. The IOB offers policyholders an assurance of free, independent assessment of their problem followed by explanation, conciliation, arbitration or adjudication, whichever is appropriate.

The chairman of Sun Alliance says (April 27) that 'in dubious cases we wish to give the benefit of the doubt.' Yet many of the letters already received by the Ombudsman show that, regrettably, some policyholders do not believe this, however true it may be. If companies are correct in their belief that they deal fairly with their policyholders then the IOB will provide independent confirmation of that fairness which will be rebound to the credit of the members and of the industry. If there are cases where companies fall short of their intentions then it is important for the industry as well as for policyholders that justice should be seen to be done. In this sense we feel that so far from introducing an 'element of uncertainty,' the IOB will strengthen the public's confidence in the fairness of the industry.

Joan Macintosh (Mrs),
31 Southampton Row, WC1.

Academic outlook

From Mr. J. Hutton

Sir,—Michael Dixon's article "How some Universities could go bankrupt" (May 11) raises critical issues requiring urgent consideration by a Royal Commission.

Of the 500,000 students, of whom 300,000 are in the Universities and 200,000 in the polytechnics, presumably a significant proportion of these are overseas students. Assuming these overseas students total 100,000 (or 20 per cent) this would mean 400,000 British students, the majority of whom are on three year degree courses. This suggests an annual intake of British students of some 133,000, of these something like ¾ or 100,000 are in the 18 year age group. There are currently 940,000 18 year olds suggesting a participation rate for that age group of just over 10.6 per cent in institutions of higher education. Compared with most comparable countries this is extremely low. At the other extreme in the U.S. there are 10m University students, of whom over half are female, giving participation rates of some 45 per cent for the 18 to 19 year age group, 21 per cent for the 20 to 24 age group and 8 per cent for the 25 to 34 age group.

No doubt it will be argued that the academic standards of British Universities/polytechnics are generally high by international standards, certainly at bachelor degree levels. Nevertheless the relationship between the proportions of students who have access to institutional higher education and the general technical and competitive skills of the nation is not insignificant. In Britain we currently provide formal higher education to a very low proportion of the 18 to 21 year age group.

Turning to overseas students, the Government's present financial policy suggests a reduction of these, with adverse effects on several institutions which in recent years have been expanded to meet this need. In the English speaking "Third world" the numbers of potential students is increasing rapidly. Indeed during the next decade or so they will increase enormously. Is it really in Britain's long-term interests to reduce learning opportunities for such students in this country?

These and many other issues should be given consideration before we actually close down Universities and or polytechnics and send up to 3,000 academics home on redundancy pay, attractive though this may seem to those imbued with "penny wise but pound foolish" economies.

John Hutton,
(Senior Directing Staff),
Administrative Staff College,
Greenlands,
Henley-on-Thames,
Oxon.

Changes in the shires

From Councillor J. Farrand

Sir, — London newspapers always seem more interested in the Tory-Socialist dogfight than in any other aspect of politics. This must be why your review of the county council elections (May 9) looks upon the Tory loss of control of Berkshire as "a major Labour coup."

There is little comfort for Labour here, however, because Labour had very little to do with it. They gained only one seat more than they did in 1973 and their seats came exclusively from urban Slough, Bracknell, Reading and Windsor. The Liberals, on the other hand, won a record number of seats, both urban and rural, from every district in Berkshire and with 17 seats are now the largest Liberal county council group outside the Isle of Wight.

It is even more significant, I think, to look at the results of the three county council elections since reorganisation. Expressed in percentages of the total vote, they are as follows:

	1973	1977	1981
Conservative	42	59	42
Labour	39	21	29
Liberal	15	18	28
Others	4	2	1

The trend is clear. Of course, our discredited voting system still allows the Tories and Socialists to be over-represented in terms of seats, but there can be no doubt about the direction of political opinion in Berkshire.

The future is clearly with the Liberals.

(Cllr.) John Farrand,
Hope Cottage, 13 Rise Road,
Sunningdale, Berks.

Buying out the index-linking

From Mr. H. Cole

Sir,—I express no views on the argument between Messrs. Sherman (May 15) and Brittan. There is, however, an intriguing consequence to Mr. Sherman's suggestion that the right to inflation-proofed pensions should be "bought out."

In view of the dispute that has raged as to the value of this right, with the recipients putting a lower value on it than those who feel aggrieved by it, it must be presumed that civil servants and others would jump to accept the kind of lump sum that would arise from calculations based on their opponents' valuations rather than their own.

Harvey Cole
9 Clifton Road,
Winchester

Today's Events

GENERAL

UK: Mr. James Prior, Employment Secretary, speaks at opening of Conservative Women's conference, Central Hall, Westminster (to May 20).

Mr. Ian MacGregor, British Steel Corporation chairman, speaks at American Chamber of Commerce lunch, Hilton Hotel, W1.

Duke of Edinburgh presents 1981 Design Council Awards, Royal Festival Hall, London.

Dr. David Owen, member of Social Democratic Party leadership, delivers Hoover address, Strathclyde University.

Mr. P. Benton, British Telecom managing director, is among speakers at international telecommunications energy conference and exhibition, Royal Lancaster Hotel, W2 (to May 21).

Prince Charles speaks at Victoria Cross and George Cross Association silver jubilee dinner, Savoy Hotel, WC2.

Ford unions and management discuss Halewood dispute.

Overseas: EEC Foreign Ministers meeting concludes, Brussels.

EEC Standing Committee on Employment meets, Brussels.

OFFICIAL STATISTICS

Provisional index of industrial production for March.

COMPANY MEETINGS

APV Holdings, 118 Pall Mall, SW, 12. Bank of Scotland, The Mound, Edinburgh, 12.15. Booker McConnell, 69 Cannon Street, EC, 12. Cape Industries, Hyde Park Hotel, Knightsbridge, SW, 12. Christies International, 8 King Street, St. James's, SW, 3. Fisons, 103 New Oxford Street, WC, 11. Macfarlane Group (Clansman), 7 West George Street, Glasgow, 12. J. N. Nichols (Vimto), Ledson Road, Wythenshawe, Manchester, 11. Stag Furniture, Albany Hotel, Nottingham, 12.

PARLIAMENTARY BUSINESS

See Parliamentary News on Page 10.

UK COMPANY NEWS

Unilever jumps by £36m in first quarter

PROFITS OF the Anglo-Dutch Unilever group surged ahead in the first quarter of 1981, helped by a strong performance in the consumer products sector in Europe and further gains in countries outside the Continent and the U.S.

The group's pre-tax surplus for the three months to the end of March rose from £124.7m. to £161.1m.

For the whole of last year, pre-tax profits were £567.7m, down from £605.6m in 1979, and dividends totalling 22.91p net were paid.

Directors say that sales value over the first quarter rose by 16 per cent, with profits at the operating level up by 25 per cent.

They point out, however, that because of the accounting system employed, comparisons are somewhat distorted by the extra number of working days included in the 1981 figures. After allowing for this, there was no significant change in sales volume, they add.

Most of the group's consumer product groups in Europe reported improved profits, with edible fats and detergents enjoying a particularly good quarter." Foods, drinks and personal products also did well.

These improved results were only partly offset by lower figures from chemicals, animal feeds, and paper, plastics and packaging. The group's fishing operations in Germany incurred losses as a result of the lack of agreement on fishing arrangements in the EEC.

Results in the U.S. were similar to those for the corresponding quarter of 1980, and there were "good gains in volume" in countries outside Europe and the U.S.

Combined group sales went ahead from £2.39bn to £2.76bn, comprising £1.16bn (£1.03bn) from Unilever and £1.16bn (£1.36bn) from the Dutch side, Unilever NV.

Operating profits rose to £161.3m (£128.9m)—the pre-tax total included an improved associates' share of £13.8m (£9.7m) and income from trade investments of £0.2m (£0.3m) and was struck after unchanged interest charges of £14.2m.

Tax took £84.5m (£63.6m), including prior year adjustments of £0.2m, and after minorities' profits of £3.4m (£3.1m) and the £0.8m absorbed by preference dividends, the attributable surplus emerged at £72.4m, a 27 per cent increase over the £57.2m for the corresponding period last year.

The 1979 figures are adjusted to reflect exchange rates ruling at the end of the year. Adjustment of the first-quarter 1981 profits in line with the rates ruling at the end of March results in a gain of £0.4m, lifting the attributable surplus to £72.8m (£57.2m).

Mr. H. F. van den Haven, chairman of Unilever NV

Sir David Orr, chairman of Unilever Limited

Of this total, £39.8m (£33.2m) is attributable to Unilever and £33m (£24m) to Unilever NV.

See Lex, Back Page

● NEWS ANALYSIS—BREWERIES PROSPECTS

Battle to top up flagging volumes

BY RAY MAUGHAN

THE BREWERIES' reporting season has already started but, with apologies to Grand Metropolitan, Vaux and the few regional brewers which have recently published results, the main activity is about to begin.

The sector has traditionally been seen as a homogenous entity which, to the extent that each company sells beer in tied and managed pubs, it is. But the results announced by Grand Metropolitan and Vaux serve to show how a very wide spread of external influences can affect each group's performance.

Grand Metropolitan, for example, was helped by the first-time inclusion of its Liggett acquisition in the U.S. at the interim stage. And Vaux, a regional brewer based in the north east, attributed its 25.5 per cent interim advance almost entirely to income flowing from the disposal of its Lorimers brewery in Scotland.

Underlying these influences, however, is a very bleak volume picture. Beer production in the six months to March this year was 6 per cent down on the corresponding months of 1979-80 and, in March alone, output was 17.4 per cent below the same month in 1980.

The forthcoming output statistics for April are not expected to be much better. The Chancellor's extra duty of 4p on a pint in the last Budget will dampen comparisons with the previous year and the additional levy has drawn much criticism that the Government is "killing the golden goose."

But the industry is looking for a 3½ per cent decline in production for calendar 1981 which, after the first-quarter slump, suggests a steadier level of output for the rest of the year.

The brewers, like other sections of British industry, encountered a marked fall in demand from around April last year onwards so there is a reasonable chance that monthly production figures forwards from around May this year are going to start looking better than they have so far. Since many of the companies report on a September year-end, it follows that the second half should be more encouraging than the first.

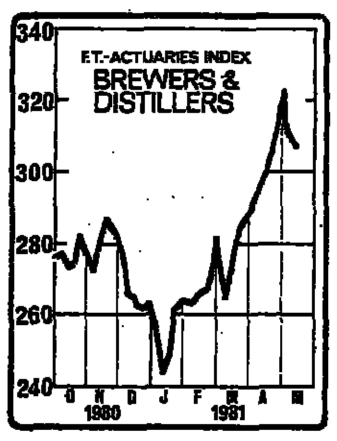
The important provisos here are that this summer will be a little less sodden than last and that the Budget impact will be absorbed. It is too early to say with any certainty how Sir Geoffrey's measures are affecting pub takings but the evidence proferred by analysts who like to undertake research on the "shopfloor" suggest that the effect on beer and spirits, like that on tobacco, could be shallower and shorter than might be supposed.

Whitbread is reporting full year figures to February today and the City is guessing that profits will fall somewhere between £58m and £60m against £61.8m.

There may be some cosmetic changes in presentation, depending on how the group treats the cash inflow from the Chiswell Street development, but the City seems confident that a strong portfolio of drinks, aggressively marketed, and the full benefits of rationalising what used to be known as the Whitbread "umbrella," which sheltered a string of regional breweries, will limit the shortfall encountered during a very difficult year.

Analysts are also starting to look for diversification moves. Whitbread relies on the UK drinks market for about 90 per cent of its profits and has done little to follow its rivals into related leisure areas. It has also said that it wants to boost its overseas earnings, recently only about 8 per cent of the total.

Greenall Whitley is next in the batting order, reporting interim profits on May 28. It



is still seen very much as a regional brewer but its market capitalisation is almost as great as some of the smaller "nationals." Half-time growth is expected to be modest, limited perhaps to a £1m pre-tax improvement, but the continuing benefits of the Shipstone acquisition should help to lift the total for the full year from just over £20m to around £24m.

Up in the big league Allied is reporting in the first week of June. With the Lyons acquisition, the group has perhaps done more than any other to reduce its dependence on the drinks industry in recent years.

Strikes and closures in the Midlands have focused attention back on its brewery interests. The effect of the shut-down on Ansell's loss-making brewery in Birmingham had first persuaded brokers to cut their forecasts sharply but expectations have been rising a little. After a shortfall of £8.1m to £50.5m at the interim stage, most forecasts now range between £95m and £100m against £113m for the year to mid-March.

The consensus suggests that Bass, the largest brewer in Britain, will show £47m-£48m at the halfway stage against £50.1m when it reports on June 9. The second half is expected to be steady but the recent Coral acquisition could chip in an £7m pre-tax. For the last full year, Bass profits climbed by £1.9m to £113.5m.

Arthur Guinness is going to be difficult to predict. The interim results are coming out on June 12 and will be affected by the fluctuations of the Irish pound against sterling. Sales of stout seem to have held up quite well but the non-drinks businesses have so far failed to alter the Dublin group's one-product image.

For the full year, however, the City is pencilling in recovery of some sort and expects about £45m against £43.3m last time and £52.9m in the year before that.

Scottish and Newcastle will be bringing up the rear in early July when it unveils its annual results. Current expectations are for £33m-£35m against £39m although if the group his the top of this range profits will be no higher than they were in 1977.

The market has some conflicting views on S. and N. The poor record counts against it, but the successful launch of its Kestrel lager, the portfolio of 5,000 hotel beds and the strong presence in the free house and take-home trade are seen as plus points.

TR Energy investments at £11.31m

Total investments of TR Energy, the newly-formed oil and gas investment group which made its Stock Exchange debut in March this year, stood at £11.31m at March 31 with net current assets at £8.26m.

The company was formed in September, 1980, by Touche, Remnant which currently owns 50 per cent of the capital—the remaining 50 per cent was offered for sale to the public.

In the quarterly report the group says that six new investments have been made between the date of the offer document and the end of March.

The report also states that in the early years the majority of the group's investments will be revenue bearing and consequently it is not anticipated that the company will pay other than minimal dividends in this period. However, the directors hope to follow a policy of steadily increasing dividends thereafter.

They point out that there were calls and commitments on the net current assets figure of £1.7m and further investments, authorised but not contracted for, amounting to £2.5m.

United Capitals listing cancelled

The Stock Exchange listing of United Capitals Investment Trust has been cancelled at the request of the liquidator.

Eskine House sale

Erskine House Investments has sold its leasehold property at Duke Street, in London's West End for a cash consideration of £320,000, compared with a net book value of £273,300. Completion date is June 3, 1981.

The sale proceeds will be wholly used in reducing the bank borrowings of the company, increased during the last year by substantial trading losses from the Erskine Uvasun subsidiary, which will be reflected in the results of the group for the year ended March 30, 1981.

London and Prov.

Fountain House, a recently completed freehold development in London's West End, was yesterday sold by London and Provincial Shop Centres (Holdings) for £3.15m. It will show a surplus in excess of £1m over book cost.

Fountain House is let to Chubb and Sons, safe and lock company, at a rental of £152,500 per annum.

London and Provincial says that provided the recent fall in interest rates is sustained, profits for the year to June 24, 1982, should benefit substantially from a lower interest charge as the net proceeds have been applied to reduce borrowings.

Usher Walker

Pre-tax profit of Usher-Walker, printing ink and roller manufacturer, was £388,177 for 1980. In last Friday's paper it was incorrectly given at £338,177.

Aberdeen Trust

Net revenue of Aberdeen Trust came out at £930,086 for the half year ended March 31, 1981 giving earnings of 2.67p per 25p share. Tax charged was £458,904.

As already announced the interim dividend is increased slightly from 2p to 2.1p net — last year's final payment was 3.7p.

Winterbottom Energy

The net asset value per ordinary 25p share of Winterbottom Energy Trust was 75.6p on May 15 after deduction of prior charges at par, and 78.3p after deduction of prior charges at market value.

SPAIN

May 14	Price %	+ or —
Banco Bilbao	309	
Banco Central	358	—
Banco Exterior	282	
Banco Hispano	292	
Banco Ind. Cat.	123	
Banco Santander	338	
Banco Urquijo	188	
Banco Vizcaya	328	
Banco Zaragoza	216	
Dragados	161	
Española Zinc	75	
Fecsa	73.7	
Gal. Preciados	39	
Hidrola	72	
Iberduero	59	
Petroleos	107.5	
Petroliber	88	
Sogefisa	78	
Telefonica	63.5	
Union Elect.	70	

Land Secs rises to £55m: property valued at £1.7bn

BY MICHAEL CASSELL

PRE-TAX income for Land Securities Investment Trust, the UK's largest property company, rose from £38.12m to £54.86m in the 12 months ending March 31, 1981.

Total income for the group, which yesterday announced a revaluation of its property holdings as well as a scrip issue, reached £103.8m against £83.5m in the previous year. Directors are recommending a final dividend of 7p a share which, with the 2.5p interim, makes 9.5p (7.8p).

Land Securities' shares, which have recently proved to be one of the property sector's stronger performers, fell back 10p to 412p on publication of the results.

The March property revaluation carried out by Knight Frank and Rutley places a value of £1.66bn on the group's portfolio and produced a surplus of £427.58m on book value. About 60 per cent of the group's property holdings are accounted for by offices in the City of London and the West End.

The latest valuation, which takes into account net additions to the portfolio since the last valuation two years ago, shows a capital increase of about 40 per cent over the 24-month period.

A sample open market valuation carried out during the financial year ending in March, 1980 indicated an approximate increase in the group portfolio of 25 per cent when compared with the previous 12 months.

Consolidated net assets of the group at March 31, 1981 amounted to £1.42m, on which basis the fully diluted net asset value per share is 506p — generally regarded as a conservative figure.

The valuers have also prepared a 10-year assessment of future additional income, which shows net sums due to accrue annually as a consequence of rent reviews, fixed rent increases and lease renewals.

According to Knight Frank and Rutley, the estimated additional net income arising in the current financial year will be £12.4m, followed by £11.4m by 1982-83.

The additional income figures reduce over the period as the impact of rent reviews weakens and they suggest an average annual increase in Land Securities' pre-tax profits of around 9 per cent a year.

The total estimated net additional income up until 1991 is £65.8m although the projections do not take account of income from new developments or the reinvestment of retained profits, or any changes in prevailing rent levels.

The group, which last June announced a £108m rights issue to be used in increasing the value and income from its existing portfolio rather than embarking on a new development programme, also disclosed details yesterday of a scrip issue which, if approved after the annual meeting on June 29, would result in shareholders owning five ordinary £1 shares for each four ordinary 50p shares already held.

See Lex, Back Page

DIVIDENDS ANNOUNCED

		Current payment	Date at payment	Corre-sponding div.	Total for year	Total last year
Joseph Holt		4.5	—	4	6.5	6
Outwich Inv.		1.49	June 23	1.94	2.66‡	2.66
E. J. Riley	int.	1.25	July 14	1.25	—	3.5
Alexander Stephen		1.4	—	1.05	1.4	1.05
Sungei Bahru	int.	0.75	June 23	0.75	—	2.35

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Including 0.45p special dividend.

E. J. Riley loses ground but expects year-end improvement

ALTHOUGH TAXABLE profits of E. J. Riley, the London-based snooker club operator and manufacturer of snooker tables and quality furniture, slipped from £345,000 to £310,000 in the half year to January 31, 1981, Mr. Alan Deal, the chairman, predicts a higher outturn for the full year.

He says following a setback in earnings in the first four months the group made a good recovery and currently profits are running at a higher level than last year.

He says the improvement in group profits came too late to make up all the lost ground by the half-way stage but if the present trend continues the company should be able to produce figures for the year which will compare favourably with last year's £605,000.

The chairman says that the popularity of snooker continues to increase and the current buoyancy of the industry is resulting in record profits for the group's clubs.

Mr. Deal points out that although trading conditions in the furniture division remain difficult the group's furniture companies remain in good shape and are well placed to take advantage of any improvement in market conditions.

The interim dividend is being maintained at 1.25p net — last year a final of 2.25p was paid.

Stated earnings per 10p share increased from 2.53p to 2.74p after tax of £125,000 (£179,000) and the net balance showed an improvement from £166,000 to £185,000. Turnover increased by £525,000 to £4m.

A breakdown of taxable profits of the group's separate divisions for the six months shows: snooker—manufacture and maintenance £34,000 (£42,000); clubs £162,000 (£125,000); furniture £91,000 (£129,000); retail shops £21,000 (£39,000); games £2,000 (£4,000); and management services nil (£6,000).

● comment

E. J. Riley's interim pre-tax profits are up by almost a fifth compared with the preceding half-year. The upturn in profits only began to show through in December, but since then Riley has lodged better figures than in 1980 in each succeeding month. Perhaps Riley is a shorter-leading indicator for the whole economy, but if so, the results give more cheer to the leisure industry than to manufacturing. Almost all the credit so far must go to snooker, where Riley's already profitable clubs increased their contribution by nearly 30 per cent. The manufacturing side of snooker trades on narrower margins, but orders are good, and have helped to take up some slack in the furniture workshops — otherwise still depressed, with spare upholstering capacity. The expected spurt in trade orders for snooker tables after last month's heavy television exposure has given the chairman confidence to forecast an improvement for the full year, assuming profits of £0.7m pre-tax, yesterday's price of 62p is about 13 times fully-taxed earnings per share. The historic yield is 8.2 per cent.

ESI London may seek quotation on USM

ESI London, a small, unquoted defence and electronics contractor is considering seeking a quotation on the Stock Exchange's Unlisted Securities Market.

The company has reported profits, before tax, of £818,000 in its first year of operation, compared with a forecast of £700,000 when it made a private placing last July.

ESI was formed to take over the European business of its U.S. parent, International Signal and Control Corporation, a private company which makes telemetry and communications equipment, electronic fusing and ordinance control devices and sensing devices for infantry.

International Signal retains a 60 per cent stake in ESI while some 150 other shareholders hold 400,000 preferred ordinary shares acquired in the placing and a rights issue two months ago at 625p a share.

ESI had turnover in the year to 31 March, 1981 of £6.3m, trading profit of £705,000 and an exchange gain of £113,000. After tax of £430,000, retained profit was £388,000.

Outwich rises and holds dividend

Pre-tax profits of Outwich Investment Trust rose from £2.3m to £2.58m in the year to March 31, 1981, after lower interest and expenses of £292,794 against £319,965.

The dividend is being maintained at 2.66p net with a final of 1.49p and a special payment of 0.45p.

Tax takes £851,939 (£715,410) leaving earnings per 25p share of 2.71p — last year's earnings figure is not comparable, say the directors. The net asset value rose from 66.6p to 89.6p. Gross revenue was £2.87m (£2.62m).

BAT growth continues as spending maintained

AFTER spending £262m on capital expenditure during 1980, BAT Industries has committed a similar amount for the current year. Worldwide projects included in this total are 10 supermarkets and two superstores in the UK and the continuing development of the Idem carbonless capacity in South Wales.

Of the £262m spent last year, UK projects accounted for £98m, or 38 per cent.

As reported on April 30, pre-tax profits for 1980 eased slightly from £481m to £479m. On a current cost basis the pre-tax figures are shown as £330m compared with £371m.

Commenting on current cost accounting in the annual report, the directors say that, in their view, the gearing adjustment materially understates the inflationary benefit from group borrowings, in particular those used to purchase fixed assets.

An alternative adjustment referred to as "benefit arising on other net monetary liabilities" has been used by the group for a number of years to calculate the requirement for inflation.

For 1980 this abates the inflation retention attributable to BAT Industries shareholders by £73m, compared with a gearing adjustment of £40m. This additional benefit of £33m, together with a further £4m in respect of associates, explains the difference between the current cost profit attributable of £102m and the net profit after inflation retention of £139m.

At the year end, shareholders' funds were £1.75bn (£1.69bn). Fixed assets were £1.17bn (£1.4bn).

Mr. Peter Macadam, chairman, received emoluments of £116,336—against £94,726 in the previous year.

Meeting, St. John's, Smith Square, SW, June 17, at noon.

First half setback seen at Phicom

The very low level of orders in the latter part of 1980 at Phicom would be reflected in a fall in invoiced sales in the first half of the current year, with the inevitable consequent effect on trading results, Mr. S. W. Livesey, chairman, told members at the annual meeting.

However, orders had been rising since last October and if the present level was sustained, a satisfactory second half performance was expected.

Pre-tax profits for the whole of 1980 were £1.06m (£1.12m) from sales of £34.84m (£33.41m) for this light engineer, data and video communications and scientific instruments group.

OIL INDEX
July Refined $40.35
October Refined $42.31

Auditors' fees start to hurt

By Jeremy Stone

UNTIL recently, the fees paid by companies to their auditors did not attract much notice. Tucked away in a footnote to the annual accounts, audit fees were rarely discussed. But in the past few months—when every cost has come under scrutiny — finance directors have increasingly come to resent the audit fee. It is one of the few costs for which they are directly responsible, yet it remains irritatingly resistant to their control.

The reason is that the audit fee is the product of two numbers over which auditors have much more control than they do. The number of hours spent on the job falls to a very large degree within the auditor's competence, because he must (at least in theory) do just as much work as is required to reach a proper opinion of the company's affairs. The billing rate (per accountant-hour), which is the other factor determining the total fee, has traditionally been completely at the discretion of the auditor.

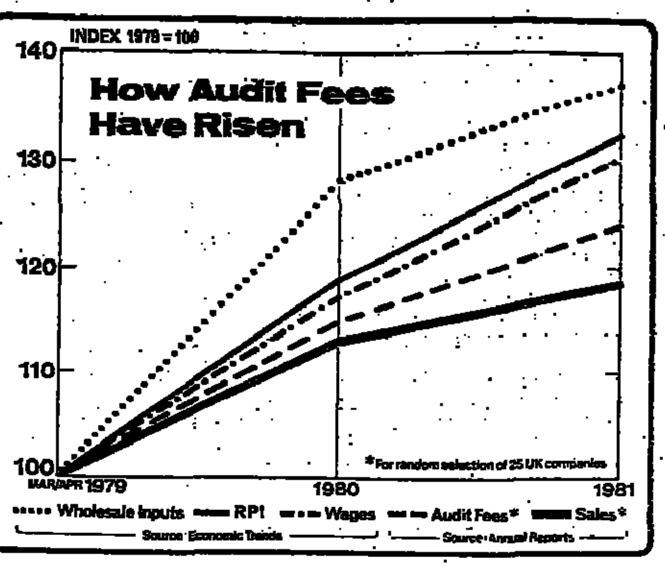
Feeling helpless to affect either component of the fee, some finance directors have been driven to contemplate changing auditors—a company's last recourse when relations have broken down irretrievably.

Few are likely to take that step, if only because changing auditors is itself a costly exercise.

A survey of the annual reports sent out by companies last month shows why they may feel aggrieved. Since 1979, the companies surveyed have had to swallow an average increase in the audit fee of slightly more than 24 per cent.

This is not in the same league as many other cost increases over the same period. For example, wage rates advanced 30 per cent, and wholesale input prices by 37 per cent.

The trouble is that in the last year, when real output actually began to fall and profits slumped, audit fees held their momentum comparatively well. And rises of over 15 per cent are still being proposed.



Auditors concede the basic case that their fees have been going up faster than industry can comfortably afford. In extenuation, they plead that their own costs have been rising faster still. Mr. John Grenside—senior partner of Peat, Marwick Mitchell — claimed that: "Industry does not realise the cost pressure on auditors. Our basic cost — salaries — is still rising faster than theirs." Auditors' margins, according to Mr. Grenside, are much tighter than they were five years ago.

Mr. Roy Foster — a partner in Deloitte Haskins and Sells—echoed these points when he said that audit had become "expensive," even though there had been "no escalation not justified by actual costs."

For both men, the root of the trouble is to be found in the accountancy labour market. They claim that a shortage of chartered accountants has driven the price of labour steadily upwards over the past four or five years.

The model of their profession which the auditors have in mind was neatly summarised by Mr. Grenside: "Salary levels are looked on in relation to the market," while "Fee levels are examined in relation to costs."

What has happened is that the full brunt of pay rises has been passed on to clients. One leading firm admitted to offering salary increases of over 20 per cent in 1979 and in 1980—a two year rise in excess of 44 per cent.

Salaries apart, the auditors point to several reasons why their costs, and fees, have risen in recent years. There has come to be what Mr. Foster calls "a higher expectancy of disclosure," as a result of which greater accounting burdens have been placed upon companies. The Stock Exchange, the Government, even the EEC, have imposed regulations designed to satisfy this expectation.

Finance directors have responded to the continuing rise in fees in two ways. Some have taken the view—most trenchantly expressed by Sir Kenneth Bond, managing director of GEC—that the time has come when oppressive obligations must be questioned. Others reserve judgment on that, but look to find ways in which the position can be improved under the present ground-rules.

The Hundred Group (of finance directors) has produced a document* which takes up the issue mainly on this less radical plane.

Mr. Peter Courtney, finance director of the Rank Organisation, was a member of the Hundred Group's working party. He thought practising accountants should be warned that "they couldn't go on increasing their charges as fast as they were putting up the salaries of their employees."

The report's warning was given *sotto voce*—a hint rather than a threat—and came wrapped up with a number of suggestions designed to help finance directors cut down the amount of work an auditor would need to do. The idea was to take some pressure off both parties.

The Hundred Group believes that most companies can do things to make the auditing process more efficient; many groups can also do quite a lot to reduce the amount of auditing to which they are liable.

In this context, efficiency boils down to controlling the length of time the auditor actually spends on his operations. The number of hours to be charged can often be reduced if a company takes more of the work in-house.

Once furnished with a clean and complete set of accounts, it should not be difficult for an auditor to estimate the total man-hours needed to audit them.

When a budget is agreed, the company can reasonably ask for justification of any overruns. Even if these turn out to be due to inadequacies in the internally prepared accounts, a finance director's position will be an improvement on that of his counterpart — still typical according to the Hundred Group—who has gone into the audit without agreeing a budget.

The difference is that a base has been established from which the following year's increase — if any — will have to be negotiated, not dictated.

Groups with large numbers of limited-liability subsidiaries can reduce their exposure to audit if they are willing to reorganise in such a way that the subsidaries do not need to be individually audited. The solution which the Hundred Group recommends generally is the replacement of subsidiaries by divisions — which have no separate accounting status.

Auditors have welcomed the Hundred Group's report, describing it as "constructive." They seize on the device of divisionalisation as a cost-saving measure which they have themselves recommended to clients. Deloitte recently advised one client that his audit fee could be cut by 30 per cent if he switched from the baroque arrangement of holding-company-with-operating-subsidiaries to a divisional structure.

The report seems to have met with a slightly cooler reception from finance directors than from auditors. The cost-saving ideas are frequently regarded as too familiar to be helpful.

Finance directors are also keenly aware of the hidden cost involved in making their accounts easy to audit; the group accountants might be more gainfully employed in tax-planning or controlling the company's cash flow. Helping the auditor is not always their most effective employment.

** "Audit: The Client's View" available from The Hundred Group, 38, Finsbury Square, London EC2A 1FX, price £3.50.*

British Sugar forecasts £49m

British Sugar Corporation, which is fighting off a £171m takeover bid from S. and W. Berisford, the commodity trading group, is forecasting pre-tax profits up from £34.17m to £49m for the current year. The group also expects to lift its dividend from 15.4p to 22p, with a final of not less than 14.5p.

In a letter to shareholders urging them to reject the Berisford bid, Sir Gerald Thorley, chairman, says that British Sugar has solid prospects as an independent company. Both the profit and dividend records are good, he says.

He feels that the value of the bid "substantially undervalues" British Sugar, and by accepting holders would receive less income and lose capital.

Sir Gerald says: "Berisford can offer nothing to British Sugar and, in fact, the results of a merger would be detrimental to British Sugar and probably also to Berisford."

"We firmly believe that British Sugar's prospects are better than Berisford's. That is why they want us." Sir Gerald believes that Berisford is seeking a strong and stable British Sugar to insulate it from the increasing risks associated with commodity trading.

Sir Gerald says that Berisford's UK sugar merchanting operation could not contribute anything to British Sugar. He says that BSC does all its own marketing and distribution. "The role of the independent sugar merchant has diminished over the years as the market has changed.

"As far as BSC is concerned, the merchant simply provides a paper handling function which contributes nothing to our high level of service."

Sir Gerald adds: "Not only has Berisford nothing to offer British Sugar—the merger would endanger the business. The two businesses are entirely different. Berisford is primarily an international commodity trader and merchant, concentrating on short-term decisions, while British Sugar is an integrated manufacturing and marketing business committed to the long-term prosperity of the UK sugar industry."

Sir Gerald claims that Berisford has no experience of large-scale manufacturing. He says that British Sugar has over six times the fixed assets employed in the whole of Berisford's business.

"In fact, Berisford's lack of experience in handling industrial relations in a large scale industrial enterprise prompted one member of the Monopolies and Mergers Commission to conclude that the merger would not be allowed to proceed," the chairman says.

Berisford's original bid of £121m was referred to the Monopolies Commission last May. Following the go-ahead from the Commission in March, Berisford launched its revised bid on April 22. Berisford had given certain undertakings required in the Monopolies Commission report before the bid could go ahead.

The first condition was that it would stop trading in sugar and sugar products produced by Tate and Lyle—British Sugar's main competitor—which means that British Sugar would dispose of its sugar merchanting business. The second condition was that it would maintain British Sugar as a separate subsidiary without major changes in its activities.

Borthwick disposes of frozen food operation

Thomas Borthwick, the troubled international meat trader, has got rid of a long standing thorn in its corporate hide, the loss-making frozen food operation Freshbake.

The initial impact of the disposal on Borthwick's heavily geared balance sheet is to increase capital gearing. But the disposal of Freshbake and Freezer Plan, which was established only last year mainly to market Freshbake goods, means that Borthwick's trading position will not bear the brunt of losses from these two companies this year that could total nearly £0.5m.

Mr. R. C. Wheeler-Bennett, chairman of Borthwick, said yesterday that Freshbake and Freezer had been sold "as a shield against further growing and considerable losses and to reduce bank borrowings.

"For the half year we were looking down the barrel at losses for Freshbake of £286,000 and for Freezer Plan of £166,000 and these were likely to be more than doubled for the full year," he said.

Borthwick, in an attempt to move away from its traditional dependence on meat trading, had acquired a 58 per cent stake in Freshbake in 1972 for £3.09m. Five years later, the company acquired the remaining equity for £1.12m.

Two years ago, after repeated failures to make a success of Freshbake, Borthwick decided to sell the loss-making subisdiary but no firm offers proved forthcoming. "We had several shots in the past at putting it right. Some years ago we tried new management but this was unsuccessful so in 1979 we decided to sell," said Mr. Wheeler-Bennett.

The difficulty in finding a willing purchaser was clearly due to outsiders' perception of the intractable nature of Freshbake's problems. Mr. Wheeler-Bennett admits it was viewed as "an entity which had to weather many problems."

In the event, under growing pressure from its bankers to reduce borrowings, Borthwick agreed to sell the freezer company. The meat traders have agreed to reduce Freshbake's bank overdraft by £1.31m and transfer the company to its founder, Mr. J. Taylor for £1. Before this reduction of Freshbake's overdraft, the company's external liabilities exceeded its tangible assets by £24,000.

The effect of the disposal on Borthwick's battered balance sheet is to increase its capital gearing: shareholders' funds of £18m have been cut by £1.7m while borrowings of £82m have been reduced by a mere £888,000.

Borthwick also announced yesterday plans to sell certain assets, stock and property of Freezer Plan, which no longer trades, to Anglo European Foods for a sum likely to be around £183,000.

Further asset disposals are likely: "Discussions with our banks on disposal of assets and how to degear are continuing. We might well consider selling off some of the development schemes undertaken by Matthews Properties," said Mr. Wheeler-Bennett.

"Although we intend to maintain an element of diversification we plan to concentrate on that part of the business we think we do best, meat trading, and getting the balance sheet back into shape."

Last week Borthwick unveiled its interim figures for the six months to March 31, 1981 which showed an operating loss of £1.95m compared to nearly £10m seen in the second half of 1979-80.

Despite an 18 per cent reduction in borrowings compared to a year ago Borthwick is still living on time granted by its 34 bankers as earnings from trading are clearly insufficient to cover annual interest charges of around £12m.

Earlier this year Borthwick, after technically defaulting on some of its loans, gave its bankers an assurance that it would reduce stocks and cut back its uncovered positions in the meat market.

Borthwick's shares fell 1p to 24p on the news of the disposal, capitalising the company at £12.4m.

Mountleigh sells textile side to C. & J. Hirst

C. and J. Hirst and Sons is to purchase the textile interests of Mountleigh Group for around £400,000 cash.

Hirst will acquire the trading names Leigh Mills Company and Smith, Renton and Company, the goodwill, stock and such machinery as it requires to continue the business.

The precise value of the assets to be acquired and the consideration cannot be determined until Hirst's machinery requirement has been defined. However, it is estimated that this will be not less than £400,000—approximately in line with book value.

Mountleigh has for some time been predominantly a property company. Its textile interests produced a loss for the year to April 1980 of £86,000.

C. H. INDUSTRIALS ACQUIRES AUDMORE

C. H. Industrials has acquired 80 per cent of the share capital of Audmore Properties, a private property development company based at Bilston, West Midlands.

Audmore has two major developments in hand: a completed and fully-let freehold industrial site at Union Street, Bilston, totalling approximately 42,000 square feet which produces a current rental income of some £72,000 per annum, and it has an agreement with the British Steel Corporation to acquire 18 acres on the Spring Vale Industrial Park, Bilston. This is part of the 215 acres site of the former British Steelworks.

The consideration for the 80 per cent of the share capital totals £346,488, including payments by way of commission to the vendors totalling £248,000. A total of £118,496 will have been paid by May 31, 1981, and the balance will be paid in equal annual instalments until May 31, 1984.

C. H. Industrials will also have the option to purchase the outstanding 20 per cent of the equity of Audmore exercisable on March 31, 1984 at a price equivalent to 20 per cent of the net asset value at that time.

The net asset value of Audmore, warranted by the vendors as at April 4, 1981, but excluding the development value of the Spring Vale Industrial Park, was not less than £123,110.

CROUCH GROUP IN $3.5M N.Y. DEAL

Crouch Group, the international property development and construction concern, has acquired a new office development in New York—a 70,000 sq. ft. 10-storey building situated in East 32nd Street with vacant possession — for US$3.5m, of which $0.5m has been placed on deposit. The balance will be paid on completion, which has been arranged for January, 1982.

Although a moderate amount of refurbishing is necessary it is the group's intention to resell the building pre-let during its current financial year to March 31, 1982. The acquisition was announced at the EGM called to approve the resolution to increase the company's share capital for the proposed rights issue.

ASSOCIATE DEAL

W. Greenwell and Company as broker to Trusthouse Forte confirms that on May 15 Trusthouse acquired 35,000 'A' ordinary shares of Savoy Hotel at 190p.

Lazards makes move into commodities

LAZARD BROTHERS is taking over London commodity brokers, Gardner Lohmann. Under a deal signed yesterday, Lazards is to acquire an 85 per cent stake in Meadstar, holding company that owns Gardner Lohmann, from Mr. John Schrader, who retains the remaining 15 per cent. Mr. Schrader will remain managing director of Meadstar and Gardner Lohmann.

A spokesman for Lazards, which is part of the Pearson group, said that as a merchant banker it wanted to be involved in all facets of finance and so far they had been mising out on commodity trading.

Gardner Lohmann is one of the leading smaller brokers dealing in commodity futures, where business has grown enormously in recent years, especially from investors anxious to trade in ra wmaterials with an intrinsic basic value.

Although started only 11 years ago, Garner Lohmann draws its name from two old established companies, Heiry Gardner in metals, and Lohmann, international wool traders. Subsequently, the company has extended into trading in all London commodity futures markets, including the new gas oil contract, which Mr. Schrader helped to launch.

The company hopes that with Lazards' backing it will be able to expand still further.

The price was not disclosed but is thought to have exceeded £1m.

Weir family taking up preference

Trustees of some of the Weir family trusts have been selling ordinary shares in Weir Group in order to take up their rights in the new convertible 10 per cent preference share issue which closed yesterday.

Some 192,000 ordinary shares were sold on April 29, reducing Viscount Weir's non-beneficial interests in ordinary shares to 626,000 and those of Mr. D. J. McLeod to nil.

Weir Group was recently the subject of a capital reconstruction involving its bankers, Finance Capital for Industry and Equity Capital for Industry.

Weir Group lost £5.5m pre-tax in 1980 and passed the dividend.

Camrex reacts coolly to Hawley 15% stake

Camrex (Holdings), the corrosion engineer and specialised coatings group, has reacted coolly to the revelation that Hawley Leisure has a 15 per cent stake in the group.

Mr. S. J. Clarke, chairman of Camrex, said that Mr. Michael Ashcroft, chairman of Hawley, had asked for discussions but had been referred to Camrex's merchant bank, Kleinwort, Benson.

"We would rather remain independent," Mr. Clarke said, "but everybody has got a price."

Mr. Ashcroft said yesterday that Hawley has not decided what to do with its Camrex stake.

"We are quite relaxed as to whether to hold, sell or go a bit further."

Hawley announced on Friday that both Provincial and Hawley had acquired stakes of less than 5 per cent in Camrex over the past few months. When the merger of the two went unconditional on May 8, the combined holding became a declarable stake and Hawley then added to its last week to make 15 per cent.

Hawley also declared a recently built up 9.3 per cent stake in Dufay Bitumastic, in which Camrex has a 29.64 per cent interest. Camrex suffered a £689,000 loss before tax last year but has a new chairman, and has made significant management changes.

The shares have recovered from a 1980 low of 20p last October, to 41p yesterday.

Chas. Hill shares soar on bid talks

The directors of Charles Hill of Bristol state that discussions are taking place which may result in an offer being made for this holding company, which has interests in civil engineering, building and property development and shipping.

A further announcement will be made as soon as possible.

News of the approach sent the shares soaring from 42p to 90p, by the end of the day, and at this level the group is worth just over £1m.

As reported last Friday, pre-tax losses, down from £184,875 to £122,790 were incurred for 1980. Again there is no dividend.

MANAGEMENT TEAM BUYS CAVALIER

Cavalier, a Birmingham-based silverplated tableware and giftware manufacturer which is in receivership has been sold as a going concern to a consortium including a management group led by Mr. Chris Watney, the company's managing director.

Under the deal, Cavalier's production will be brought together with that of Arnold E. Williams and Sons, resulting in the largest manufacturer of silverplated products in the UK.

LIGGETT BUYS DAIRY COMPANY

Liggett Group, the U.S. subsidiary of Grand Metropolitan, has bought Western Dairy Products division of Chelsea Industries Incorporated for an undisclosed sum.

SHARE STAKES

International Investment Trust—Pearl Assurance Co. acquired a further 975,000 ordinary shares bringing its holding to 2,125,000 (6.2 per cent).

LONDON TRADED OPTIONS

May 18 Total Contracts 1097

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	360	64	5	76	—	88	—	410p
BP	390	44	4	56	4	70	—	"
BP	420	24	40	44	10	55	5	"
BP	460	9	6	—	—	—	—	"
Com. Union	140	31	—	36	3	40	—	166p
Com. Union	160	16	—	21	5	25	—	"
Com. Union	180	7	10	10	—	15	—	"
Cons. Gold	420	110	—	120	10	—	—	516p
Cons. Gold	460	73	37	90	—	103	—	"
Cons. Gold	500	47	25	63	26	80	7	"
Cons. Gold	550	23	6	38	20	—	—	"
Cons. Gold	588	9	3	—	—	—	—	"
Courtaulds	50	19	2	20	—	—	—	66p
Courtaulds	60	9½	3	13	1	16	2	"
Courtaulds	70	6	12	8	—	11	20	"
Courtaulds	80	2½	13	5½	—	7	1	"
GEC	650	43	1	83	—	88	—	666p
GEC	700	17	15	55	5	55	—	"
Grand Met.	180	29	3	32	5	39	—	203p
Grand Met.	200	14	107	22	5	28	—	"
Grand Met.	220	5	8	12	5	18	—	"
ICI	280	38	2	44	13	56	6	302p
ICI	300	24	35	32	—	44	—	"
ICI	330	9	18	17	2	32	1	"
Land Sec.	390	34	25	50	—	60	—	417p
Land Sec.	420	16	17	31	—	40	—	"
Land Sec.	460	3	—	13	35	—	—	"
Marks & Sp.	110	35	—	42	5	—	—	142p
Marks & Sp.	120	25	11	34	—	—	—	"
Marks & Sp.	130	17½	13	25	7	33	1	"
Marks & Sp.	140	11	46	18½	23	25	—	"
Shell	360	70	15	82	—	86	—	414p
Shell	390	45	23	58	4	64	—	"
Shell	420	25	14	42	6	52	—	"
Shell	460	9	2	32	—	—	—	"
Totals			515		192		42	"
		May		August		November		
Barclays Bk.	420	4	1	27	12	32	12	413p
Imperial Gp	60	15	5	18½	—	20	—	75p
Imperial Gp	70	5	—	10	14	11	—	"
Imperial Gp	80	1	—	4½	—	5½	1	"
Lasmo	500	120	1	140	—	162	—	617p
Lasmo	550	70	9	97	2	122	—	"
Lasmo	600	25	17	67	6	90	—	"
Lasmo	650	5	10	44	8	60	1	"
Lasmo	700	½	—	27	31	37	7	"
Lonrho	90	5	10	11½	5	14	—	95p
Lonrho	100	1	—	6	30	9½	12	"
Lonrho	110	½	—	3	2	5½	24	"
Lonrho	120	¼	—	1½	11	—	—	"
P & O	130	8	—	15	1	22	2	138p
P & O	140	3	5	11½	96	15½	13	"
P & O	160	½	—	5½	10	8	2	"
Racal Elec.	390	3	12	26	3	39	—	385p
RTZ	420	—	—	130	—	140	5	550p
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
RTZ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	"
Totals			[illegible]		[illegible]		[illegible]	

Zambia mining companies in surprise merger

BY GEORGE MILLING-STANLEY

LAST FRIDAY'S announcement by President Kenneth Kaunda of Zambia that the country's two state-controlled companies were to merge came as a surprise to most people, including some members of the managements of the companies concerned.

In fact, a merger between the two companies, Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Mines (RCM), has been suggested on several occasions in the past, notably when the former owners of the companies were invited to offer majority stakes to the Government-owned Zimco in 1969.

The second such occasion was in 1973, when Zambia ended management agreements with Anglo American Corporation of South Africa (NCCM) and Amax of the U.S. (RCM) and put in Zambian managing directors.

More recently, a World Bank report on Zambia in February this year suggested that the two companies be combined to maximise economies of scale and reduce costs. Operating costs at the mines of both companies are soaring as a result of rising oil prices, wages and current cost inflation of between 15 and 20 per cent a year, reports our Lusaka correspondent.

Helped by the upsurge in cobalt prices after the troubles in neighbouring Zaire in the 1970s, and by the upturn in copper prices in late 1979 and early 1980, NCCM and RCM just managed to climb out of the red in the fiscal year to end-March 1980.

Both companies were badly hit by the falls in copper and cobalt prices during the remainder of 1980, and after three quarters of declining profits, both are expected to record losses in the fourth quarter.

Cobalt sales, which gave the companies a boost last year, have fallen off dramatically in recent months, and cannot be expected to come to the rescue.

RCM, for example, is selling less than half of its current production of cobalt, and both companies have begun major expansion programmes which could lead to a doubling of world output over the next few years.

Zambia ranks fifth in world copper production, with 1980 output of 609,935 tonnes, and second only to Zaire in cobalt, with 3,210 tonnes last year.

President Kaunda said that the merger will permit the country to "relate production to market requirements," and added that it might be necessary to close some of the mines temporarily, but refused to comment on whether this meant that Zambia might actually cut production.

Since Zambia depends for something like 95 per cent of its foreign exchange earnings on NCCM and RCM, it seems unlikely that the country could afford to cut back its production.

Perhaps more importantly, the mining industry employs 55,000 people in the copper belt, among them some of the most politically active in the country.

President Kaunda stressed that he was not proposing "a prescription for redundancy," which is something he could ill afford after the political conflicts with the mining unions which brought the copper belt to a standstill earlier this year.

The President is clearly looking for substanial benefits from the merger, for which no time scale has been laid down. He said it would rationalise the use of facilities, production targets, research and development, prospecting and exploration, investment and access to world capital markets.

While it is doubtful whether the merger will have quite the sweeping benefits the President claimed, the two companies have strengths in different areas which may complement each other.

RCM, the smaller of the two, is generally thought to be better managed, slightly ahead technologically and in a marginally healthier financial position. But RCM's mines, given current technology and metal prices, have only about 20 to 30 years to run, according to Mr. David Phiri, managing director.

NCCM, on the other hand, has large reserves of both copper and cobalt of a purer grade than RCM.

Little is known of the details of the proposed merger, although it is understood that the terms of the share exchanges which will follow the scheme of arrangement will reflect the relative values of the two companies.

The major outside shareholders in both companies have agreed in principle to the merger. Zambia Copper Investments, a subsidiary of Anglo American Corporation, holds 40 per cent of NCCM and 10 per cent of RCM, while Amax has a 16 per cent stake in RCM. The Zambian Government's holding in both companies is about 60 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Bluemel Brothers, Management Agency and Music, Northern American Trust, Plaxton's (GB), Pleasurama, Yorkshire and Lancashire Investment Trust.

Finals:—Assam-Dooars, Hambros Investment Trust, C. E. Heath, Amos Hinton, Hunting Associated Industries, Imperial Cold Storage, Readicut International, Walter Runciman, Toye, Western Dooars Tea, Whitbread

FUTURE DATES

Interims:—

British Car Auction	May 26
Causton (Sir Joseph)	May 28
Fairline Boats	June 11
Guinness (A.)	June 12
Johnson and Firth Brown	†May 28
Leeds & Dist. Dyers & Finishers	May 21
Marley	June 3
North British Steel	May 25
Scottish Investment Trust	May 26
Stockholders Investment Trust	May 21

Finals:—

Allied Irish Banks	May 27
Billam (J.)	May 22
Dundonian	June 2
Elliott (B.)	June 10
Energy Services and Electronics	May 26
Fidelity Radio	May 21
Hill (Philip) Investment Trust	May 28
Kwik-Fit (Tyres and Exhausts)	May 21
London and Overseas Freighters	June 10
Minster Assets	May 29
Property & Reversionary Invest.	May 28
Time Products	June 3
UBM	May 28

†Amended

Big spending for gold mines

CAPITAL EXPENDITURE by the gold mines in South Africa, the world's leading producer, over the first six years of this decade will be more than double the level for the whole of the 1970s, according to Mr. R. S. Lawrence, president of the Chamber of Mines of South Africa.

Mr. Lawrence told a conference on world gold markets, held in London yesterday, that the gold and uranium mines in the Chamber plan to spend about R7.3bn (£4.2bn) on capital projects between 1980 and 1985, compared with R3bn between 1969 and 1979.

South Africa produced 675 tonnes of gold in 1980, down from 1979's 703.3 tonnes, and Mr. Lawrence pointed out that over the past 10 years the amount of ore milled had risen by 21 per cent to last year's figure of 90m tonnes

In the same period, the average grade of the country's mines fell to 7.28 grammes of gold per tonne from 1970's 13.28 grammes.

While much of this fall can be attributed to the higher prices now prevailing, it is also relevant that some of the leading producers, which have been in operation for many years, have exhausted their higher-grade reserves.

Total profits accruing to the gold mining industry were over R7.3bn last year, against less than R300m at the beginning of the 1970s, and dividend payments were R2.28bn compared with R143m in 1970.

Working costs over the same 10-year period rose by some 400 per cent to R35.53 a tonne, Mr Lawrence said, including a rise of almost 900 per cent in average wages paid to black workers.

The conference, which continues today, was organised by Consolidated Gold Fields and the Government Research Corporation of Washington.

Go-ahead for Manitoba potash plan

THE WAY now seems clear for the development of a C$600m (£238m) potash mine and refinery in south-western Manitoba, Canada, following the signing of an agreement between the provincial government and International Minerals and Chemicals of the U.S., reports our Toronto correspondent.

IMC's Canadian subsidiary already owns two potash mines close by at Esterhazy, on the Saskatchewan side of the border.

The operation has a planned annual capacity of 2m tonnes of potash product. Construction is scheduled to start this autumn, with initial production expected in late 1985 or early 1986.

A new company, Manitoba Potash, is to be set up to operate the project. The province will hold a 25 per cent stake, with an option to acquire a further 15 per cent within five years from the start of production.

Profits fall at Northgate

THE CLOSURE of the high grade Tynagh base metal mine in Ireland's County Galway last July is the main factor behind a sharp fall in first-quarter profits of Northgate Exploration.

Northgate, a Canadian company with interests covering mining, mineral exploration and oil and gas drilling in Ireland, Greenland, Australia, the U.S. and Canada, turned in net profits for the first three months of just C$56,000 (£22,000) or 1 cent a share, compared with C$2.11m in the first quarter of last year.

The effects of the ending of underground operations at Tynagh were offset to some extent by a shipment of copper concentrates produced last year.

Northgate has begun treating a surface stockpile of 110,000 tons of oxide silver ore, averaging about 7.5 ounces of silver per ton. Full production from this project was delayed, because some of the plant was still in the commissioning stage during the quarter.

Non-operating income fell to C$1.31m from C$1.88m in the period. This income consists mainly of interest on short-term investments and dividends, and the decline was mainly attributable to comparison with an exceptionally buoyant first

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$500	16	30	52	48	—	—	$481.50
GOLD C	$525	128	22	105	38	—	—	"
GOLD C	$550	36	13	6	27 B	—	—	"
GOLD P	$475	66	12	—	—	—	—	"
GOLD P	$500	65	25 B	—	—	—	—	"
		July		Oct.		Jan.		
ABN C	F.300	66	3.50	—	—	—	—	F.280
AKZO C	F.20	—	—	5	3.90	—	—	F.22.70
AKZO C	F.22.50	120	1.90	80	2.60	—	—	"
AKZO C	F.25	34	0.80	67	1.70	20	2.80	"
AMRO C	F.60	—	—	—	—	10	2.10	F.52.90
HEIN C	F.60	23	1.10	—	—	25	2.80	F.54.60
HOOG C	F.17.50	—	—	15	2.70	—	—	F.17
HOOG C	F.20	6	0.80	—	—	—	—	"
HOOG C	F.22.50	—	—	20	0.90	—	—	"
IBM C	$60	5	1¾	—	—	—	—	$56⅝
IBM C	$65	5	⅝	—	—	—	—	"
KLM C	F.90	26	38.50	—	—	—	—	F.127.50
KLM C	F.100	33	29	—	—	—	—	"
KLM C	F.110	45	22	15	27 B	—	—	"
KLM C	F.120	16	15.20	—	—	—	—	"
KLM C	F.130	106	10	—	—	—	—	"
KLM C	F.140	68	5.30	25	9	—	—	"
KLM P	F.80	—	—	5	1.50	—	—	"
KLM P	F.90	15	0.50	—	—	—	—	"
KLM P	F.100	39	1.60	—	—	—	—	"
KLM P	F.110	17	3.40 B	—	—	—	—	"
KLM P	F.130	18	7.20 B	—	—	—	—	"
NATN C	F.110	—	—	—	—	9	7.50	F.106.60
NATN C	F.125	5	0.20	5	1.10 B	—	—	"
NATN C	F.130	—	—	5	0.40	—	—	"
NATN P	F.110	—	—	5	5.50	—	—	"
PHIL C	F.17.50	23	4.60	10	4.70	—	—	F.21.30
PHIL C	F.20	160	2.40	69	3.10	—	—	"
PHIL C	F.22.50	210	0.80	580	1.70	202	2.50	"
PHIL P	F.20	15	0.40	7	0.70	30	0.90	"
PHIL P	F.22.50	15	1.40	—	—	30	1.90	"
RD C	F.80	8	19	—	—	—	—	F.98.50
RD C	F.90	105	9	5	10	—	—	"
RD C	F.95	129	5	—	—	—	—	"
RD C	F.100	148	3	109	5.50 A	16	7.20	"
RD C	F.110	68	0.90	101	2.30	—	—	"
RD P	F.80	6	0.60	—	—	—	—	"
RD P	F.90	75	1.80	29	4	—	—	"
RD P	F.95	170	4.10	—	—	—	—	"
RD P	F.100	86	7.80	10	9	—	—	"
RD P	F.110	18	16.50	—	—	—	—	"
UNIL C	F.150	53	8	29	8.10	41	11	F.157
		Aug.		Nov.		Feb.		
BOEI C	$35	20	1⅞	—	—	—	—	$33
BOEI P	$35	8	2¼	—	—	—	—	"
SLUM C	$100	35	8½	—	—	—	—	$103⅜
SLUM C	$110	27	4	16	7	—	—	"
SLUM C	$120	6	1⅛	—	—	—	—	"

TOTAL VOLUME IN CONTRACTS 4160

A=Asked B=Bid C=Call P=Put

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The Morgan Bank

GROWTH FOR U.S. RETAILERS

Sears Roebuck profits surge

BY PAUL BETTS IN NEW YORK

SEARS ROEBUCK, the largest U.S. retailer, and J. C. Penney, another big retail chain and catalogue group, turned in remarkably strong performances in the first quarter of this year and expressed optimism on future earnings and sales.

Earnings at Sears were $94.2m or 30 cents a share, compared with $59m or 19 cents a share for the same period last year. J. C. Penney's earnings almost tripled, from $18m or 26 cents a share to $50m or 71 cents a share.

Sears said first quarter earnings included a non-recurring gain of $17.7m, reflecting an adjustment to 1980 income taxes. But the Chicago-based retailer, which said it was "more optimistic" about long term prospects than at any time in its recent past, added that there were substantial improvements in its merchandising operations. These reported a profit of $17.4m in the first quarter, compared with a loss of $18.3m in the first three months of 1980.

The company's international operations continued to sustain losses which totalled $5.3m in the first quarter, compared with a loss of $1.5m the year before.

Revenue at Sears in the first quarter rose from $5.5bn to $6.1bn with an 11.8 per cent increase in merchandising sales to $3.92bn in the first three months.

J. C. Penney's sales rose 10.6 per cent in the first quarter from last year's corresponding $2.27bn to $2.51bn.

At the the company's annual meeting yesterday, Mr. Donald Seibert, Penney's chairman, attributed the strong first quarter performance to tight controls on expenses and stocks which enabled the company to capitalise on the strong consumer demand for spring fashion offerings throughout the first period.

Gross margins improved as a result of both higher mark-ups and lower mark-downs, he said. Increases in selling, general and administrative expenses were more than offset by the gain in sales. Moreover, interest costs decreased 16 per cent chiefly as a result of lower borrowing levels.

As to the outlook for 1981, Mr. Seibert said the company expected consumers to follow cautious spending patterns for the next few months. "Assuming a tax cut by late summer or early autumn, sales of the general merchandise industry should strengthen in the important second half for a full year gain of about 8.5 per cent." He claimed that after adjusting for inflation, real sales growth in the retail business was expected to be 2.5 per cent this year.

Noranda sells BCFP stake for C$215m

By Our Montreal Correspondent

NORANDA MINES has now sold its 28 per cent interest in British Columbia Forest Products (BCFP) to Alberta Energy Company, of Edmonton, for C$215m (US$195m). The price per share was C$25.

The sale of its interest held in BCFP was part of an undertaking made to the British Columbia Government last month when Noranda bought almost 50 per cent of MacMillan Bloedel, Canada's largest forest products company. Noranda had owned the stake in BCFP for more than 10 years in partnership with Mead Corporation and Scott Paper, both of the U.S.

Alberta Energy, partly owned by the Albert Government, has also agreed not to increase its holding in BCFP. The British Columbia company has started development of a C$300m forest products complex in North Central Alberta, where some of the last major accessible timber reserves in Canada are situated.

Mainly in the oil and gas production business, Alberta Energy is also in pipeline transportation and has investments in petrochemical plants in Western Canada. It also has a 40 per cent interest in a large Alberta sawmill operation.

Ottawa attack over CDC chairmanship

BY ROBERT GIBBENS IN MONTREAL

CANADA DEVELOPMENT Corporation (CDC), set up 10 years ago to promote "strong and growing enterprises" in Canada's resource and high technology industries, has found itself caught in the crossfire of Federal politics.

The Government of Mr. Pierre Trudeau is being accused of trying to push Mr. Maurice Strong, a well-known Canadian business figure frequently on the edge of politics, into the CDC chairmanship and of trying to add other Liberal Party sympathisers to the list of directors.

Mr. Trudeau has agreed that the Government would like to have a strong say in the appointment of a new chairman, and also that it would like CDC to reflect more the Government's overall economic policies. He has also agreed that Mr. Strong is a friend of the Government.

Now a private group under the leadership of Burns Fry, a Toronto-based stockbroking and investment group, says it is ready to buy the Government's 48.6 per cent voting stake in CDC which now has a market value of about C$400m (U.S.$363.5m).

CDC was formed as an investment holding company in 1971 by the then Liberal Government led by Mr. Trudeau, partly as a response to rising Canadian nationalism and the desire for greater domestic ownership of resource and manufacturing industry.

Mr. Strong made a fortune in oil and gas exploration in the 1950s and later helped the Government to set up Petro1Canada the Federal oil company.

He came to the public eye again early this year, when a private company he controlled became the go-between for the C$1.4bn takeover of Petrofina Canada. Mr. Strong is believed to have negotiated for the Federal Government with Petrofina's parent in Brussels.

Sharp rise in dollar Eurobond prices

By Francis Ghilès

PRICES OF fixed interest dollar denominated Eurobonds rose strongly yesterday in the wake of the better than expected weekly U.S. money supply figures.

Average price increases were about 1 point but the same issues gained up to 1¾ points on the day. For instance the General Motors 12¼ per cent bonds due 1988 closed 1¼ points up at 90¾.

Dealers said that much of the activity was of a professional nature, but retail buyers were by no means entirely absent. Many dealers are forecasting that a new issue "window" will ?—?—? quickly, but so far only one floating rate note, a $40m issue for European Asian Bank, is expected—later today. This eight-year FRN is expected to carry a minimum coupon of 6 per cent and a spread set at ¼ per cent over the six-month London inter-bank offered rate. Merrill Lynch will act as lead manager.

A £50m convertible bond issue for Nissan Motors is expected to be launched tomorrow in the Eurosterling sector.

D-Mark denominated foreign bond prices agined ¼ of a point on the day but Deutsche Bank decided to postpone a DM 60m private placement it was expected to bring to the market. This is the second D-Mark foreign bond issue to be postponed in a week.

Swiss franc bonds were unchanged on the day and two public issues are expected to be launched this week. They include a SwFr 80m 10-year issue for the Asian Development Bank carrying an indicated coupon of 7¼ per cent through Swiss Bank Corporation; a SwFr 100m 10-year issue carrying a coupon of 7¼ per cent for Nippon Telegraph and Telephone through Credit Suisse.

Kerkorian backs MGM bid with $100m offer

By Our Financial Staff

MR. KIRK KERKORIAN, the financier who has the controlling stake in MGM Film, is prepared to invest about $100m to help the film company to finance its proposed acquisition of United Artists, Mr. Stephen Silbert, a spokesman for Mr. Kerkorian, said in Los Angeles yesterday.

MGM Film would, according to film industry analysts, have to pay at least $350m for the acquisition.

Neither MGM Film nor Transamerica Corporation, parent company of United Artists, would comment yesterday on the estimated price.

Mr. Silbert said that Mr. Kerkorian would make his investment in a new public offering of MGM stock and debt securities.

Earlier this year Mr. Kerkorian sold his 25 per cent stake in Columbia Pictures Industries for $134m.

MGM Film, set up last year when the former MGM company split its hotel and film interests into separate groupings, disclosed on Friday that it had made a "definitive" offer for United Artists.

MGM said its move reflected its confidence in the film industry. United Artists distributes MGM films in the U.S. and Canada, but MGM said it wanted to handle its own distribution.

Baxter Travenol sees advance

BY OUR FINANCIAL STAFF

BAXTER TRAVENOL LABORATORIES (manufacturers of medical equipment) expects growth in its share earnings for fiscal 1981 to be "somewhat better" than last year's 13 per cent rate, Mr. Vernon R. Loucks the president, told the annual meeting in Deerfield.

However, foreign exchange losses had limited the earnings gains of the first quarter of this year to 8 per cent.

Mr. Loucks said that the results for the second quarter would also be affected by foreign exchange losses, and referred to the recent decline in the French franc.

He said the company had bought 240,000 of its own shares out of the 1m whose purchase the board had authorised in March, when it had 34.9m shares outstanding. He added that there had been "no serious discussion" of a stock split.

Capital expenditures would fall below the previously planned total of $125m this year, because some projects had been deferred and others were less expensive than had been expected, said Mr. Loucks. The 1980 outlay was $118.6m.

Baxter would make some further reductions in its labour force, which totalled 32,232 at the end of 1980.

Mr. Loucks said 6,500 kidney patients throughout the world were using the company's continuous ambulatory peritoneal dialysis and the total was expected to reach 10,000 by the end of this year.

Baxter earns almost all of its profits from medical care products, with nearly one-quarter of operating profits originating outside the U.S. Despite government-sponsored cuts in medical spending in many foreign countries, the company is confident of a 15 per cent growth in sales this year.

It is the leading manufacturer of intravenous feeding solutions and expects further growth to come from the continued rapid expansion of health care markets in the U.S. and abroad. In the current year, it has pushed ahead with plans to market a number of new products including blood testing equipment and new types of dialysis solutions. Sales topped $1.3bn last year and the quarterly dividend was increased from 16 cents to 19 cents a share in April.

Setback for Finnish oil refiner

BY LANCE KEYWORTH IN HELSINKI

REDUCED profits despite a sharp gain for sales are reported by Neste, the Finnish state-owned oil, petro-chemicals and shipping group.

Net earnings after tax fell to FMk 110m in 1980 from FMk 118.7m on turnover that was a full 56 per cent higher at FMk 13.4bn ($3.47bn).

The continuing rise in crude prices and fall in domestic consumption of oil products indicates that Neste "must seek growth potential in other fields, such as oil exploration and the further processing of indigenous fuels."

● ENSO-Gutzeit, the state-owned forest products, engineering and shipping company, also recorded an increase in turnover plus a fall in profits for 1980.

Parent company net turnover increased by 13 per cent to FMk 3.74bn and group sales improved to FMk 4.1bn. Exports came to FMk 2.61bn. Net earnings were down to FMk 44m after tax and less than the full permissible depreciation, compared with FMk 45.5m.

Enso is coming to the end of an 8-year investment plan costing over FMk 4bn. This will be completed by 1983 when the company expects its financial results to improve as a result of higher productivity.

Realwest Energy acquires Canadian oil interests

BY OUR MONTREAL CORRESPONDENT

A PRIVATE investment group formed by several well-known Vancouver businessmen has acquired major interests in several Canadian oil companies, such as Asamera, United Canso Oil and Gas, and Coseka Resources and expects to buy interests in others, possibly in the U.S.

Backers of the company, known as Realwest Energy, include Mr. Edgar Kaiser Jr., who recently sold his Kaiser Resources coal group to British Colombia Resources Investment Corporation, Mr. Charles Woodward, head of Woodward Stores, the department store chain, Mr. Jack Poole, head of Daon Development, the Vancouver-based Real Estate Development Group which plans to list its stock in London, Mr. Angus MacNaughton and Mr. Ross Turner, senior officers of Genstar, the realty development and building materials group associated with the Belgian Societe Generale, and Mr. Robert Lee, Vancouver realtor who jointly with Daon recently bought the Place Victoria skyscraper in Montreal for C$85m.

Mr. Saunder Sheinin, Realwest's chairman and an accountant and tax specialist, said the company will be seeking board representation in companies where it invests, and now has potential control of Asamera and United Canso.

Dome sets condition on Conoco move

By Our Financial Staff

DOME PETROLEUM said yesterday that it would accept Conoco's offer to supply Dome with confidential information on the value of Conoco's Hudson's Bay Oil and Gas holdings on one condition. This was if its offer of $65 a share for 13 per cent of Conoco's stock were treated as an exception to the confidentiality agreement Conoco requested. As previously reported, that agreement calls for, among other things, Dome to refrain from buying stock of Conoco, ninth largest U.S. oil group, or of Hudson's Bay Oil.

In making its $910m bid for 14m Conoco shares, Dome had said it wants to exchange this stock plus possible additional funds for Conoco's 53 per cent of Hudson's Bay Oil.

In a response to Conoco's May 14 letter, Dome included a copy of the tax opinion of its U.S. counsel concluding that the exchange it proposes of Conoco stock for Conoco's Hudson's Bay Oil stock can be structured so that Conoco would not recognise a capital gain on the exchange.

Under a sale of the Hudson's Bay Oil stock for cash, this tax could be as much as $400m, Dome said.

Dome said it also told Conoco: "Your tax counsel agreed with ours that there are a number of actions which Conoco could presently take to enhance the likelihood of a favourable tax result."

AMERICAN QUARTERLIES

CADILLAC FAIRVIEW	1980-81	1979-80
Year	$	$
Revenue	784.3m	666.9m
Net profits	3.96m	25.67m
Net per share	†0.27	0.55
† Loss		

CARNATION	1981	1980
First quarter	$	$
Revenue	832.4m	764.1m
Net profits	45.52m	42.29m
Net per share	1.23	1.13

GENSTAR	1981	1980
First quarter	C$	C$
Revenue	430.9m	413.4m
Net profits	21.2m	20.1m
Net per share	0.53	0.58

GULF RESOURCES & CHEMICALS	1981	1980
First quarter	$	$
Revenue	154.2m	153.0m
Net profits	277,000	11.6m
Net per share	0.02	1.11

HALIBURTON	1981	1980
First quarter	$	$
Revenue	1.84bn	1.58bn
Net profits	131.9m	105.3m
Net per share	1.12	0.89

LINCOLN NATIONAL	1981	1980
First quarter	$	$
Revenue	719.9m	646.7m
Net profits	32.64m	35.89m
Net per share	1.50	1.66

NIAGARA MOHAWK POWER	1981	1980
First quarter	$	$
Revenue	611.3m	492.7m
Net profits	64.4m	54.2m
Net per share	0.76	0.69

NORTHERN STATES POWER	1981	1980
First quarter	$	$
Revenue	357.1m	322.3m
Net profits	39.1m	31.0m
Net per share	1.22	0.89

PIONEER CORP.	1981	1980
First quarter	$	$
Revenue	288.2m	210.5m
Net profits	49.2m	23.4m
Net per share	0.78	0.63

SANTA FE INTERNATIONAL	1981	1980
First quarter	$	$
Revenue	390.2m	228.9m
Net profits	45.08m	13.06m
Net per share	0.93	0.30

WISCONSIN ELECTRIC	1981	1980
First quarter	$	$
Revenue	300.2m	274.3m
Net profits	21.6m	18.9m
Net per share	0.88	0.83

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday, June 11.

Closing prices on May 18

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¾ 88 (WW)	55	100	100½	+1¾	+1½	15.14
Amoco 13¾ 88	75	93½	94	+1½	+1¾	14.74
CIBC 14½ 84	185	97½	98	+0⅝	−0¼	15.48
CNE 12¾ 91	100	87¼	87¾	+1⅛	+0¼	15.26
Citicorp O/S Fin. 10 86	300	82⅜	82⅞	+0⅝	0	15.09
Citicorp O/S Fin. 12 87	200	87⅜	88⅛	+1⅛	+0⅞	15.02
Con. Illinois O/S 9¾ 86	150	80⅞	81⅜	+0⅜	+0⅜	15.31
Dupont Canada 13½ 91	65	92⅞	93⅜	+1¾	+1	14.84
EEC 11 95 (August)	70	74	76	−0⅛	−0½	15.41
EIB 12¾ 89	75	89½	89⅝	+1¼	+1¾	15.13
Eldorado 13¾ 86	50	93½	94	+1¼	+0⅜	15.13
Elec. de France 10 88	125	78	78½	+0⅜	0	15.19
Elec. de France 13 88	125	91	91½	+0⅞	−0⅛	15.12
Export Dv. Cpn. 9½ 86	150	80⅜	80⅞	+0¼	−0⅜	15.61
Fed. Bk. D. 12¾ 85 (N)	50	91⅛	91⅝	+1⅝	+1⅜	14.95
Fin. Exp. Credit 10½ 85	50	84⅜	84⅞	+0⅜	+0¼	16.83
Finland, Rep. of 9½ 86	100	79	79½	+0½	−0⅛	15.95
Ford Credit O/S 14⅝ 83	150	97⅜	97⅞	+0⅜	+0½	15.70
Ford Cr. O/S Fin. 16 84	150	101⅜	101⅞	+1⅜	+1⅝	15.13
Gaz de France 13½ 88	80	94⅜	94⅞	+0⅜	−0⅜	15.12
GMAC O/S Fin. 12 87	100	87	87½	+1⅜	+1¾	15.21
GMAC O/S Fin. 12⅞ 88	100	90½	91	+1⅜	+1¾	15.12
Gen. Mtrs. O/S 11¾ 87	100	85⅝	86⅛	+0⅝	+1	15.31
Genstar 14¾ 91	60	98⅝	99⅛	+0⅝	+0⅜	14.96
GTE Fin. 13¾ 86 (WW)	50	95½	96	+1⅜	+0⅜	15.02
Hudson's Bay 11½ 90	75	82⅛	82⅝	+1⅜	+1⅜	15.19
IBM Wld. Trade 12½ 88	200	94⅝	95⅛	+1⅜	+1⅝	13.68
Newfoundland 13½ 90	60	91	91½	+1⅜	+0⅜	15.34
Nova Scotia 10¾ 90	50	79⅜	79⅞	+0⅞	+0⅞	14.96
OKB 10 85	50	85⅜	85⅞	+1	+0⅜	14.84
Ontario Hydro 13½ 91	100	92⅞	93⅜	+1⅜	+0⅞	14.84
Quebec Hydro 11½ 92	100	79⅝	80⅛	+1⅜	+1⅜	15.38
Queb. Hy. 13 91 (WW)	100	88⅝	89⅛	+1¾	+0⅞	15.20
Royal Bk. Canada 14 88	100	97⅜	97⅞	+0⅜	+0⅞	14.69
SNCF 12¾ 85	50	92⅛	92⅝	+0⅛	−0⅜	15.05
SNCF 13 91	75	90⅝	91⅛	+1⅝	−0⅜	14.79
Sth. California Ed. 14 87	50	96⅝	97⅛	+1½	+1⅝	14.80
Sven Handelsbk. 13¾ 88	45	93½	93⅝	+0⅜	+0⅜	15.35
Sweden 12¾ 85	150	89⅞	90⅜	+0⅜	0	15.62
Swed. Ex. Credit 12 83	50	92⅝	93⅛	+0¼	+0⅜	15.72
Swed. Ex. Credit 13 86	75	91⅛	91⅝	+1⅜	+0⅜	15.68
Toronto-Dom. Bk. 14 84	50	97⅜	97⅞	+1⅛	+1	15.03
Tribune O/S Fin. 14 86	50	95¼	95¾	+0⅜	+0⅝	15.34
World Bank 9¾ 85	200	84½	85	+0⅜	+0½	15.00
World Bank 10¼ 87	300	81⅝	82⅛	+0¼	+0½	14.95

Average price changes... On day +0⅞ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97½	98¼	+0⅜	+0¼	10.34
Austria, Rep. of 8¾ 92	150	86⅞	87⅜	0	−0⅞	10.18
CECA 7⅞ 92	150	86⅞	87⅜	0	−0½	9.78
CECA 10 91	120	99⅝	100⅜	0	−0⅜	9.99
CII-Honeywell 8½ 90	125	90⅝	91⅛	+0⅝	+0⅝	9.94
Council of Europe 10 91	100	98⅝	99⅜	0	0	10.16
EIB 8½ 90	200	88⅞	89⅝	0	0	10.32
EIB 10½ 91	200	100⅝	101½	+0⅛	−0½	10.30
ESCOM 9¾ 87	100	92¼	93	0	−0⅜	10.87
Finland, Rep. of 10 89	100	97½	98½	+0⅜	+0¼	10.43
Iberduero SA 9 90	106	91⅝	92⅜	0	−0⅜	10.38
Ind. Bk. Finland 8½ 90	50	89⅜	90⅛	−0⅛	0	10.22
Int.-Am. Dv. Bk. 10 91	100	99	99¾	+0⅜	0	10.09
Japan Air Lines 8½ 87	100	91	91¾	−0½	−0½	9.97
Japan Dev. Bank 7⅝ 87	100	88⅞	89⅝	+0¼	0	9.99
Kobe, City of 8 9⅝	100	88⅝	89⅜	0	−0¼	9.88
Midland Int. Fin. 8½ 90	180	90⅜	91⅛	0	−0½	10.05
Nuclebras 9¾ 88	100	88¼	89	−0⅜	−1½	12.15
DKB 8¼ 92	150	86¼	87	−0⅜	−0⅜	10.32
Oslo, City of 8¾ 90	80	94½	95¼	+0⅛	+0⅛	9.63
Venezuela, R. of 9¾ 90	150	93⅛	94⅛	0	0	10.82
World Bank 8 90	700	86⅞	86⅞	+0⅛	−0⅛	10.33
World Bank 10 86	150	100⅝	101⅛	+0¼	+0¼	9.80

Average price changes... On day +0⅛ on week −0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94⅜	95	−0⅞	−1⅛	7.24
BFCE 6½ 91	100	96	96¼	−1½	−0½	7.06
Bayer Int. Fin. 5¾ 92	100	88⅝	88⅞	−0⅞	−1	6.89
Bergen, City of 6¾ 91	40	†98¾	99½	+0⅜	+6	6.98
Bhrmn.-Tetterode 7 90	40	99½	99¾	+0½	+1	7.06
CECA 6¾ 91	80	95⅜	95⅜	0	+0½	7.44
Denmark 5¾ 90	80	86¾	86½	+0½	+1¼	7.90
Dome Petroleum 5¾ 91	100	92⅝	92⅞	−0⅜	+0⅞	6.79
Elet. de France 5¾ 90	100	†89	90	0	−0⅜	6.80
Eurofima 5¾ 92	80	†98	99	+0¼	+1	5.93
F. G. H. Hypo. Bk. 6 90	90	91⅛	91⅝	+0⅛	+0⅜	7.35
Finland, Rep. of 5¾ 90	80	86⅜	86½	−0¼	−0⅜	7.73
Franc. Petroles 6½ 91	80	96⅞	97¼	0	+0⅝	6.93
Genstar 7 91	100	99⅜	99⅞	−0⅛	+0⅜	7.03
Int.-Amer. Dv. Bk. 7 91	100	98⅞	99¼	+0⅜	+1⅛	7.14
Japan Dev. Bank 5¾ 90	100	†91	91½	+0¼	−0⅜	7.05
Mt. Blanc Tunnel 5½ 90	60	†86	88½	0	+0⅛	7.61
Neweq 5¾ 90	80	†91	91½	−0⅜	0	7.08
OKB 7 93	100	†99	99¾	+0¼	+1⅛	7.11
Oslo, City of 5⅞ 90	80	91⅞	92	+0½	−0½	7.08
Philips Lamps 5¾ 92	100	87½	87⅜	−0⅛	−0⅜	6.87
Swed. Ex. Cred. 7¼ 91	75	97⅜	97⅝	−0⅛	0	7.56
Trade Dev. Fin. 6¾ 90	50	91⅛	91½	+0⅜	+1⅛	7.43
Voest-Alpine 5¾ 90	80	86⅝	87	0	−3⅜	7.77
World Bank 6 91	100	†91	91½	0	0	7.28
World Bank 7 90	100	100⅜	100⅝	+0¼	+0½	6.92

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	98	99	−0⅛	−0⅜	8.48
Australia 6½ 88	20	87⅜	88⅜	+0⅛	+0⅜	8.97
EIB 7¾ 89	12	93	94	−0⅛	−0⅜	8.88
Finland 5.6 83	10	92⅜	93⅜	0	0	8.91
Finland 6.8 88	10	87½	88⅞	−0¼	−0¼	9.27
Finland, Rep. of 8⅜ 87	15	98⅝	99⅝	−0⅜	0	8.62

Average price changes... On day −0¼ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	†85⅞	86⅞	−0⅜	−3⅜	14.72
CIBC 13½ 85 C$	50	†92⅜	93⅜	−0¼	−0¼	15.91
CIBC 11½ 85 C$	60	86⅜	87⅜	−0¼	−1¼	16.07
Federal Dev. 11½ 90 C$	60	†80½	81½	−0¼	−1½	15.49
Fst. Can. Inv. 10.84 C$	50	†84	85	−0½	−1½	17.03
R. Bk. Canada 10 86 C$	40	89¾	90¾	+0½	+0⅞	12.81
Tordom Cpn. 13½ 85 C$	30	†93½	94½	+0¼	+0¼	15.63
M. Bk. Dnmk. 9 91 EUA	25	90	91¼	−0¼	−0⅞	10.50
SOFTE 8¾ 89 EUA	40	88½	89½	0	+0⅞	10.35
U. Bk. Nwy. 9½ 90 EUA	18	96¼	98	0	−0⅛	9.95
Algemene Bk. 10¾ 86 Fl	80	96⅜	96⅞	+0⅛	+0⅛	11.21
Bk. Mees & H. 10 85 Fl	75	95⅞	96⅜	−0⅛	−0⅛	11.18
Heineken NV 10 87 Fl	100	94½	95	+0⅝	+1¼	11.21
Nat. Nedrlnd. 10 88 Fl	60	93⅛	93⅝	−0⅛	+0⅛	11.44
Ned. Midd. Bk. 10 85 Fl	75	95¾	96¼	−0⅛	+0⅛	11.18
Pierson 10¾ 86 Fl	50	96⅛	96⅝	−0⅛	+0⅛	11.21
Air France 14½ 86 FFr	200	94⅞	95⅞	+0⅛	−3	15.90
Bk. America 14½ 86 FFr	250	93⅜	94⅜	−1⅜	−1⅞	16.26
Charb'nages 13⅞ 85 FFr	400	92⅞	93⅞	−0⅜	−3⅛	15.94
EIB 14⅛ 88 FFr	300	92⅛	93⅜	−1⅜	−2⅞	15.88
La Redoute 14⅜ 85 FFr	125	92⅜	93⅜	0	−1½	16.50
OKB 14 86 FFr	400	92⅜	93⅜	−1⅜	−2	16.12
Solvay et C. 14¾ 86 FFr	200	100	101	−0⅞	−1⅛	14.55
Swed. Ex. C. 14¾ 86 FFr	250	93½	94½	−0⅞	−1⅞	16.47
U. Mex. Ste. 14 85 FFr	150	92½	93½	−1¼	−2⅛	16.50
Acona 14 85 £	20	94¼	95¼	+0¼	+0⅛	15.62
Beneficial 14¼ 90 £	20	90¼	91	+0⅛	−0⅜	15.19
BNP 13½ 91 £	15	92⅞	93⅞	−0½	−1⅛	14.87
CECA 13½ 88 £	20	94	94¾	+0¼	−0⅜	14.74
Citicorp O/S 13½ 90 £	50	94	94¾	+0½	−0⅛	14.64
Fin. Ex. Cred. 13¾ 86 £	15	95⅝	96½	+0⅜	−1	14.93
Gen. Elec. Co. 12½ 89 £	50	91⅞	92⅝	+0⅜	−0⅝	14.29
Hiram Walker 14¼ 86 £	25	96⅛	96⅞	+0⅜	+0⅛	15.29
Privatbanken 14½ 88 £	12	94⅞	95⅛	+0⅜	−0⅜	15.65
Rothschild 14¾ 90 £	12	96⅝	97⅛	−0⅛	−0⅛	14.86
Royal Trustco 14 86 £	12	96⅞	97⅛	0	−0¼	14.79
Swed. Ex. Cr. 13¾ 86 £	20	96¼	97	+0⅛	−0⅜	14.73
Banobras 8¾ 90 KD	7	†90	90½	0	0	9.94
CCCE 8¾ 91 KD	10	†82¾	83¼	0	0	11.03
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.68
Akzo 9¾ 87 LuxFr	500	85⅜	86⅜	+0⅛	+0⅛	12.55
Euratom 9¾ 88 LuxFr	500	89	90	−0⅛	−0⅜	12.11
Eurofima 10½ 87 LuxFr	500	92½	93⅜	0	−1	12.12
EIB 9¾ 88 LuxFr	600	90⅜	91⅜	+0⅛	0	11.77
Volvo 9¾ 87 LuxFr	500	86⅜	87⅜	−0¼	+0¼	12.80

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	†99	99½	2/7	18⅜	16.75
Bank of Montreal 5¼ 90	0¼	99¼	99¾	18/6	19½	19.60
Bank of Tokyo 5¾ 89	‡0⅜	98⅛	98⅝	25/7	16½	16.77
BBL Int. 5 86	0¼	99½	100	20/5	16½	16.54
BNP 5½ 88	‡0⅜	99	99½	29/7	16.44	16.56
CNT 5¾ 86	§0⅜	99⅜	99⅞	16/10	16.81	16.86
Christiania Bk. 5½ 91	‡0¼	97¾	98¼	5/8	17.31	17.67
Citicorp O/S F. 84	‡0	99⅛	99⅝	30/5	16⅞	16.96
C. Itoh 5¼ 87	0¼	98½	99	16/9	15.44	15.63
Co-operative Bk. 6 86	0¼	98⅝	99¼	15/11	19.56	19.79
Den Norske Credit 6 90	‡0¼	†98¼	98⅝	5/8	17.31	17.58
Genfinance 5¼ 87	0¼	98⅜	99⅛	30/10	16.94	17.11
Giro und Bank 5¼ 91	‡0¼	97⅞	98¼	23/6	14.06	14.35
GZB 5½ 89	‡0¼	98⅜	98⅞	1/8	17.31	17.55
Ind. Bank Japan 5¼ 87	0⅛	98½	99	15/10	17.06	17.28
Ind. Bank Japan 5½ 88	0¼	98⅜	98⅞	9/10	16.44	16.69
Lloyds Eurofin 8 90 £	0⅜	96⅝	97⅛	3/7	14½	14.97
Lloyds Eurofin 5¾ 92	0¼	98⅞	99⅛	4/6	17¼	17.42
LTCB Japan 5¼ 86	0¼	99⅞	100⅜	13/6	20.19	20.16
Man. Hanov. O/S 5¼ 94	‡0⅛	99	99½	30/5	17	17.13
Merrill Lynch O/S 87	0⅛	100¼	100¾	7/8	20.44	20.34
Midland Int. Fin. 5¼ 92	0¼	99	99½	5/8	17.19	17.32
Midland Int. Fin. 9 91	0¼	97⅝	98⅛	30/10	16.81	17.18
Nacional Fin. 6¼ 88	0¼	99	99½	25/7	17⅛	17.68
Nacional Fin. 5½ 88	0¼	96½	97	25/9	14⅞	15.37
Nat. Bk. Canada 5¼ 88	0¼	97¼	97¾	24/9	14½	14.87
Nat. West. 5¾ 94	§0¼	97½	98	14/10	16.19	16.98
Nat. West. 5¾ 92	§0⅜	97⅜	98⅛	23/10	16.81	17.18
Pemex 6 91	0¼	96⅝	97⅛	8/10	15.31	15.81
Sparebanken 6 87	0¼	98⅞	99⅛	19/6	19⅞	20.05
Standard Chart. 5¾ 90	0¼	[illegible]	[illegible]	[illegible]	17.05	[illegible]
Svenska Hndlsbk. 5 87	0¼	99¼	99¾	15/7	17.81	17.90

Average price changes... On day +0¼ on week +0⅜

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	97½	98½	+0⅜	16.09
Canon 6¾ 95	1/81	829	172	173½	−1	−3.72
Credit Suisse 4¾ 93	10/79	1236	89	90	−0½	−3.59
Digicon Fin. 8½ 96	10/81	29.5	†117	118½	−0¼	−1.48
Hanson O/S Fin. 9½ 96	8/81	2.74	92⅜	93⅜	+1⅜	7.29
Ina Overseas 8¾ 2000	4/81	42	†101⅜	102⅜	+0⅜	1.05
Inchcape 8 95	2/81	4.55	88½	90	+0¼	−0.93
Kotobukiya Co. 7 96	4/81	619	†96	97	0	−6.91
Marion Int. Fin. 9 95	12/80	15.5	†85¾	86¼	+1½	22.16
Matsushita El. 7½ 95	11/80	590	102½	103½	+0⅜	5.84
MEPC 8¼ 96	2/81	2.47	92½	94	+0⅛	11.81
Nissho-Iwai Co. 8 96	10/80	398	†73	75	+0½	−2.69
Ricoh 6¾ 95	8/80	604	126½	127½	+0⅛	−1.76
Sumitomo M. Ind. 7 95	2/81	191	†137	138	+7⅜	3.03
Swiss Bk. Con. 6¾ 90	9/80	200	†74½	78½	−0⅛	19.51
Taylor Woodrow 8¾ 90	1/81	4.94	107	108¾	+1⅜	4.84
Tokyu Land Cpn. 7¾ 96	4/81	325	†98⅛	99⅛	−0⅛	3.39
Transco Int. 8¾ 95	2/81	68	†84	85	+0⅛	21.27
Tricorp 8½ 95	12/80	31.25	†80½	81½	−1	26.56
Union Bk. Switz. 5 89	2/80	70.79	72	74	+0½	−0.45
Fujitsu 5 84 DM	7/79	431.5	185⅜	186⅜	+0⅞	−1.12
Sharp Cpn. 6½ 88 DM	9/80	595	180⅞	181⅞	−3⅜	−2.97
Uny Co. 6½ 85 DM	11/79	879.3	106	107	0	0.18

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of shares at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Just back from Zurich, Peter Montagnon looks at a bond market dilemma

Switzerland grapples with inflation

'WE DARED to hope after a long period of very moderate price increases that inflationary expectations had been finally overcome. In fact it only took a few months of accelerating prices to bring them back to life."

Thus Dr. Fritz Leutwiler, president of the Swiss National Bank, described at the bank's recent annual meeting what is probably the most important economic problem facing Switzerland today. His conclusion that price stability can only be maintained in the long term if monetary policy remains restrictive rather than expansionary has already had, and will continue to have, a profound effect on the country's capital market.

Coupled with sharp upward pressure on interest rates in the U.S., Switzerland's tight monetary policy has already driven coupons on long-term foreign bonds up by a third to a level of 7½ per cent from 5¾ per cent at the start of the year.

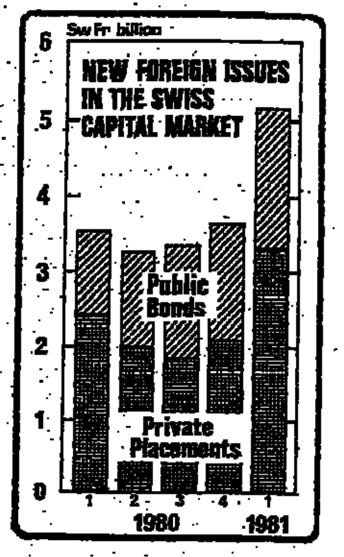
Most bankers in Zurich see them rising further still, bringing them within striking distance of their record 8¾ per cent reached a decade ago in a few months.

At their present levels long-term rates are now well above the rate of consumer price inflation, which stands at 5.6 per cent. But with a booming economy — unemployment stands at only 0.2 per cent of the workforce and there is a marked shortage of labour in the building sector—the fears are that inflation will go on rising for the time being.

In the short term, rising interest rates also compound the problem by forcing banks to raise their charges for mortgage finance. In Switzerland, where rents are linked to the mortgage rate, this has a profound effect on the consumer price index, which rises by roughly 0.35 points for every 0.25 percentage point rise in the mortgage rate.

Few bankers believe that the upward movement of interest rates can be reversed before they reach a level high enough to break the back of the boom in the construction industry.

Another requirement for a downturn in Swiss interest rates would be a decline in U.S. rates, whose high levels have weakened the franc on the foreign exchange markets, thereby increasing the risk of imported inflation. At the moment it is by no means clear whether such relief will come before the next wage round



Meanwhile, the sharp gains in interest rates and the weakness of the Swiss currency have already seen a significant change in investor behaviour in the bond markets.

Non-residents, who have traditionally been the main buyers of Swiss franc foreign bonds and notes, no longer purchase such paper in large quantity. Even those who are interested in holding Swiss franc assets prefer to put their money in the Euromarket, where Swiss franc deposit rates have recently exceeded 10 per cent.

Swiss institutions find that their scope for buying foreign bonds is circumscribed by regulations obliging them to invest the major portion of their assets in domestic securities, and the conditions on foreign issues thus have to be tailored to attract local private investors.

This has led to a marked widening of the yield premium paid by foreign borrowers in the Swiss market. Domestic bonds issued by the Swiss Confederation now carry coupons of 5¾ per cent, almost two percentage points below those now being awarded to top foreign borrowers.

Even so, foreign issues are by no means all that easy to place, especially when the borrower is a less than favourite name, and new issue managers are having to tread very carefully with the launch of new issues.

After a very strong start to the year, some bankers believe there is likely to be a marked decline in new issue volume during the second half, although others point out that the Swiss market remains one of the few where long-term fixed interest money is still relatively freely available.

For its part, the National Bank apparently sees no reason to regulate directly the volume of new issues coming on to the market, even if many bankers assume it would be loath to see a sharp increase in capital exports at a time when the country is no longer running a strong balance of payments surplus.

But if borrowers are not deterred by high interest rates and the realisation that the franc at its present level is patently undervalued on the exchange markets, there is always the possibility in the back of many bankers' minds that the bank could eventually seek to turn its present informal calendar of new issues into an instrument for controlling directly the amount of money available to borrowers in this particular market.

Alitalia plans to treble capital over three years

BY RUPERT CORNWELL IN ROME

ALITALIA, the Italian state-owned airline whose 1981 prospects have been severely dented by the recent wave of strikes, aims to raise progressively its capital to L340bn ($295m) within the next three years, from the current L120bn.

For 1981, according to Sig. Luciano Sartoretti, the managing director, Alitalia is seeking a L60bn increase—coupled, it hopes, with an additional L20bn to cover the start-up costs of its new subsidiary, Aermediterranea, of which Alitalia will hold 80 per cent.

The smaller airline was set up two months ago to take over the operations of Itavia, the privately owned domestic carrier whose financial collapse at the end of last year left its 1,000 employees temporarily redundant.

Sig. Sartoretti gave the first indications of the damage wrought to Alitalia's finances by the industrial action, much of it wildcat, carried out by pilots, and ground and cabin staff. In the first four months the airline had to cancel 4,400 flights, representing 16 per cent of scheduled services, with the loss of revenue totalling L46bn.

This figure compares with 1980 revenues of L1,569bn ($1.36bn), when the carrier managed to reduce its deficit to L8.8bn from 1979's L14.5bn. The strikes, moreover, have compounded losses likely from the sharp rise in fuel costs in the first part of this year. Fuel costs went up by 32 per cent, despite the reduced services.

The scheduled capital increases are also essential to improve the company's debt ratio. By the end of last year total borrowings had climbed from L132bn in December 1979 to L407bn ($354m), a figure equivalent to 3.7 times Alitalia's capital and reserves. The jump is primarily the result of an expensive fleet modernisation which is under way.

Sig. Sartoretti added that Alitalia is exploring ways of boosting the general public's stake in the company, of whose capital, IRI, the state conglomerate, at present holds around 99 per cent. One possibility is of a fixed-interest bond issue convertible into ordinary stock of the airline.

Swedish Match in bid for U.S. flooring group

By Westerly Christner in Stockholm

SWEDISH MATCH is negotiating with GAF Corporation of New York with a view to purchasing the American company's flooring division.

"We are interested in establishing a good, sound market position in the U.S.," says Mr. Willi Senn, the managing director of Tarkett, the Swedish Match housing materials unit which heads the negotiating team. The company intends to sell its wood and PVC flooring, carpets and wall-coverings in the U.S., which currently accounts for only $3m of its SKr 724m ($153m) annual turnover.

"In three yearss' time our U.S. sales will have increased significantly," says Mr. Senn. The GAF unit last year generated sales of about $150m worldwide, but has been operating at break-even after investing heavily in a PVC flooring plant in Ireland, costing some $20m-$25m.

Three years ago the European PVC flooring market was expanding rapidly, but currently there is great overcapacity, says Mr. Senn.

In addition, the GAF division has been hit by weak demand in the U.S., after a decline in domestic building over several years. The division has 30 distributors throughout the country.

For its part, Tarkett has a sales office in New York.

● The interim report from the Danish hydraulics equipment group, Danfoss, reveals that half-year sales are 4 per cent lower at DKr 1.62bn ($224m). The company says the decline is in line with management budgets. Danfoss is in the middle of a DKr 364m capital spending programme.

Losses push French toy maker into closure

BY DAVID WHITE IN PARIS

FRANCE's second-biggest toy group, Le Jouet Francais, has filed a petition for the winding-up of the company as a result of continuing losses.

The group's principal shareholder is Banque Occidentale pour l'Industrie et le Commerce, which is part of the Generale Occidentale group.

The toy group's biggest subsidiary, Jouef, which makes electric trains, has already filed its petition. The other companies in the group, which include a model-kit specialist, Heller, and an infant toy producer, Delacoste, were granted a provisional suspension of claims last December.

Le Jouet Francais is reckoned to have sustained a loss last year of about FFr 30m ($5.4m), made up mostly of financial charges. Sales were around FFr 200m, 13 per cent down on the previous year.

The group, which has been cutting its product range since 1979, has closed a number of workshops and shed some 650 of its 1,700-strong workforce.

● Pernod Ricard, France's leading drinks group, has reached initial agreement for a second takeover in the U.S. in a bid to strengthen its export potential. The company has agreed to purchase Field Crest Importers for $210,000, subject to approval by the U.S. authorities.

The takeover comes just a year after Pernod Ricard's first big move into the U.S., the $97.5m purchase of Austin Nicholls, wine and spirits importer and producer of bourbon. Field Crest had a turnover of about $2m last year.

The two U.S. acquisitions fit in with Pernod Ricard's policy of buying up importers in countries where it has a big market, including Spain, Switzerland and the UK.

Sprecher passes dividend

BY JOHN WICKS IN ZURICH

FOR THE second year running the Swiss electrical engineer, Sprecher and Schuh, is to pass its dividend.

Group sales improved by 12 per cent to SwFr 507m in 1980 and cash-flow rose to SwFr 6m ($2.2m) from SwFr 1.2m. At the parent company level, Sprecher incurred a net loss of SwFr 2.24m compared to a deficit of SwFr 3.9m.

Dr. Hans von Werra, management chairman, said at a Press conference in Zurich that a return to real profits called for "considerable efforts" on the part of the company. He said that it would be "unrealistic" for shareholders to expect an early return to dividend payments.

The raising of cash-flow was the company's primary aim. At present, it covered neither depreciation nor investment needs, the conference was told.

According to Dr. von Werra, Sprecher was "on the way up again" in terms of sales and new orders, which for the first half of 1981 should be above last year's levels. A number of reorganisation measures have been taken.

ANZ ends discussions on merger with CBC

BY OUR SYDNEY CORRESPONDENT

MERGER TALKS between the Australia and New Zealand Banking Group (ANZ) and the Commercial Banking Company of Sydney (CBC) broke down yesterday. The way in which the Australian banking system is to reorganise itself to meet expected increased competition from foreign banks is thrown open by the decision.

It leaves in train an agreed move by the Bank of New South Wales to merge with the Commercial Bank of Australia, valuing the CBA at A$695.5m (US$790m) when announced — but at A$633m on the basis of last night's closing price for Wales' shares—and an unwelcomed A$391m move by the National Bank of Australia for the CBC.

The ANZ's withdrawal from the talks was announced by the two banks last night in a joint statement that gave no indication as to the reason for the break-down in discussions. The boards of the banks said only that, after preliminary talks, it had been decided not to proceed with the proposal to merge the two banks.

This is a second rebuff for the ANZ—which contests the position of Australia's leading private sector bank with the Wales, and which took the initiative for the round of reorganisation in the industry, in late April, by holding merger talks with the CBA. These talks have been discontinued with the CBA's agreement to a merger with the Wales.

The restructuring moves come with the findings of the Campbell Committee inquiring into the working of the Australian financial system expected to open the way for foreign banks to expand their Australian activities.

The CBC puts its prospective earnings per share for current year at 85.2 cents, a level which on the 15 times earnings basis that the Wales has valued the CBA, means an equivalent bid for the CBC would put a total value on the bank of A$690m.

This is just under what the Wales offered for the CBA, and would have had to consider whether it would pay such a price for the smallest of the major trading and savings bank.

A total of A$8.5m of CBC and CBA shares changed hands on the Sydney and Melbourne share markets, representing nearly a third of the total turnover in the centres.

Although the CBC opened trading strongly, at A$7.60 it edged down throughout the day to close at A$7.30 and A$7.20, in Melbourne and Sydney, respectively, for little net change.

Fresh bid for Elder by Bell in prospect

By Our Sydney Correspondent

ELDER SMITH. Goldsbrough, Mort. the diversified South Australian industrial and pastoral group, again faces the possibility of being taken over by the Bell Group, controlled by Mr. Robert Holmes a'Court. An A$160m partial takeover bid has been set in motion, but hangs upon a court hearing next week.

The West Australian Bell Group lodged a draft Part A takeover document for Elder with the South Australian Corporate Affairs Commission last week. The move followed legal advice to Bell that, contrary to widespread belief, the new South Australian Company Takeover Act does not give Bell an alternative of seeking Supreme Court permission to withdraw from its previously announced bid for Elder after permission had been denied by the South Australian Attorney-General.

Bell decided to proceed with its bid after being given the advice and prepared to renew its offer for 50 per cent of Elder at A$5.10 a share. This matches the highest price paid during the market battle against friends of Elder in March.

The draft takeover document has not been formalised yet because of a legal challenge by BT Australia last Thursday, the day after the draft document was filed.

BT bought a 19.9 per cent Elder stake from Bell at the close of the market battle in March and then sold the parcel to Carlton and United Breweries in a deal that was thought to have ended the contest.

CUB bought the stake as part of a wider strategy, which involved Henry Jones (IXL), in which it is a major shareholder, merging with Elder. BT was granted a temporary injunction in the South Australian Supreme Court restraining the Bell Group from proceeding with its Part A formalisation.

BT's application focused on a clause in the agreement under which it acquired the Elder shares from Bell. The clause prohibits Bell from buying anything over a 10 per cent stake in Elder for three years after the date of the agreement, which was April 24. It is thought that the BT action was prompted by the passing-on of this condition in BT's agreement with CUB.

Small car boom boosts Suzuki

BY YOKO SHIBATA IN TOKYO

SUZUKI MOTOR a major Japanese manufacturer of motorcycles and small fuel savings cars has reported record sales and earnings for the year ended March 31, helped by booming sales of small cars both at home and abroad. Sales increased by 32.7 per cent to Y457.78bn ($2.1bn) and operating profits advanced by 22.2 per cent to Y13.27bn ($59.5m). Net profits were Y4.79bn, up 19.7 per cent, with profit per share improving to Y19.97 from Y16.68.

The company sold 502,532 four-wheel vehicles in the year, a rise of 36.8 per cent. Of the total, domestic passenger car sales accounted for 387,389 units, up 23.9 per cent and exports for 115,143 units, up 110.3 per cent. Motorcycle sales totalled 1,572,064 units (up 30.5 per cent), of which home sales accounted for 511,382 units (up 34 per cent) and overseas sales for 1,060,682 vehicles, up 28 per cent.

Exports in value advanced by 43.8 per cent to account for 48.1 per cent of total turnover. Sales of small cars, in particular of front-wheel-drive vehicles in Latin America, the Middle East, and Europe were higher, and there were strong sales of motorcycles in the U.S.

The effects on earnings increased production and rationalisation as well as an increase in net financial income largely outweighed material cost rises and exchange losses sustained after the yen's appreciation.

Suzuki plans to sell 520,000 four wheel vehicles in the current year: 120,000 abroad and 400,000 at home. The sales target for motorcycles is set at 1.8m units with 1.2m for export and 600,000 for the domestic market. Capital investment for four wheel vehicle production is to total Y35bn, up from Y27bn in 1980-81.

The company plans to boost sales by 10 per cent to Y505bn. Operating profits are put at Y15bn, up 13 per cent and net profits at Y6bn, up 25 per cent.

International City plans public offer

BY OUR FINANCIAL STAFF

INTERNATIONAL CITY HOLDINGS, a property development and investment company plans to go public with the issue of 450m nominal HK$ 1 shares at par, its advisers, Wardley said.

Wardley, which expects to underwrite the issue, said the proposal is subject to the completion of underwriting arrangements and the agreement of the Hong Kong stock exchanges to the listing of existing ordinary shares and of those under the new issue.

International City would be the first concern to go public in Hong Kong since a moratorium on new listings was lifted earlier this month.

The ban on new listings was imposed by Hong Kong's four exchanges in March after shares of several susbidiaries of property companies were publicly offered, draining funds from the stock market and depressing stock prices.

The property share issues did not arouse an enthusiastic response from investors. Shares of Hsin Chong Properties, which went public in December, were only 55 per cent subscribed, and those of Sino Land, the last one to go public before the moratorium, were only 46.5 per cent subscribed.

Wardley expects the prospectus for the share offer to be published on May 22. Following the issue, existing shareholders will hold some 87.14 per cent of the issued share capital of the company.

International City is believed to be owned as to 33.3 per cent each by Hong Kong Electric Holdings and Cheung Kong (Holdings). Other shareholders include Hongkong Land, Wheelock Marden, Sun Hung Kai Properties, and World International.

The company which was formed in November with properties valued at HK$ 3bn (US$ 550m), has eight developments on hand through its subsidiaries which, when completed, will produce 10m sq ft of space.

Reynolds consortium to build smelter

BY OUR SYDNEY CORRESPONDENT

A CONSORTIUM headed by the Reynolds Metals group of the U.S. has been granted the right to construct Western Australia's first aluminum smelter.

Sir Charles Court, the Western Australian Premier, has given the go-ahead to the Westal consortium to start negotiations with the State electricity authority for the supply of power to the project.

The consortium, consisting of Reynolds, Shell, and CSR, which will each hold a one-third interest, won the development right against competition from Alcoa of Australia, the subsidiary of the U.S. aluminum group.

It will require 400 MW to operate the smelter and the provision of electricity will be crucial for the development. If it is constructed by the target date of 1985 a coal-fired power station is expected to be built near Bunbury.

It has been estimated that up to A$600m (US$682m) will have to be spent to upgrade the state's power grid

The smelter will be built in the Collie shire near Worsley alumina refinery. During the five-year construction phase A$440m at 1980 prices will be spent on materials, labour and other services.

Fedfood up despite poor fishing

BY JIM JONES IN JOHANNESBURG

FEDFOOD, the diversified South African food group which is controlled by Federale Volksbeleggings, increased operating profits by 53.5 per cent in the year to March 31, 1981 from R23.45m to R36m ($43m). The advance was made despite a continuing decline in profits from the troubled Namibian fishing interests. Turnover rose by 39.4 per cent to R443.6m ($528m) from R318.2m.

Fishing for pilchards in Namibian waters has restarted this week, but stocks remain low and Fedfood warns that pelagic fish quotas will remain at a low level in the medium term.

The group has, however, diversified its fishing activities to Chilean waters. The subsidiary, Kaap Kunene has entered into an agreement with the Chilean Camelio group to erect a fish cannery at Iquique and a fish factory at Caldera. The project is well under way and is expected to contribute to profits during the current financial year.

The board says that, despite problems encountered in the recently acquired snack foods manufacturer, Riviera foods, the group achieved the objectives set for the financial year. Nola Industries, which is 90 per cent-owned and is South Africa's largest malt producer, put in "an outstanding performance."

A total dividend of 34 cents has been declared from earnings of 78.1 cents a share, compared with 29 cents from earnings of 61.6 cents in 1979-80.

Gore Browne joins regional Board of NatWest

Sir Thomas Gore Browne, recently retired as senior government broker and as senior partner of Mullens and Co., has been appointed a director of the South-West Regional Board of NATIONAL WESTMINSTER BANK.

★

Mr. Rod Attwooll has been appointed managing director of TEXAS INSTRUMENTS in place of Mr. Robert Wilmot, who has resigned to become managing director of ICL.

★

Mr. H. J. P. Garland has resigned as marketing director of PADLEY AND VENABLES, Dronfield. Mr. R. J. Clemmow, technical director has assumed responsibility for marketing the company's products in the UK and overseas in addition to his present responsibilities.

★

Mr. Maurice Carr has relinquished his directorship of WILLIAM MOSS PROPERTY DEVELOPMENT COMPANY.

★

Mr. Keith Piggott, managing director of Amari Plastics and Mr. Chris Romer, managing director of Century Aluminium, have been appointed to the Board of AMARI following the resignation of Mr. David Alford and Mr. Martin Beale. Mr. Alford will continue to hold a number of responsibilities within the Group and will remain chairman of the Leavlite Group and will serve on the Board of Century Aluminium. Mr. Beale left the Board following his resignation from the Selection Trust Group.

★

Mr. Brian Coleman-Smith has resigned as a director of Fleet Financial Publishing, the company that publishes Financial Weekly, to take up an appointment at THE GUARDIAN as financial sales director.

★

Mr. W. J. C. Donie has become chairman of BRITISH BENZOL CARBONISING in succession to M. J. W. Sutherland. Mr. R. J. Taylor has been appointed managing director.

★

Miss Rosina Harris has been appointed deputy chairman (non executive) and Mr. Peter Laszlo has become an executive director of BLUNDELL-PERMOGLAZE. Miss Harris joined the Board in January, 1979, and has been the company's legal adviser for over 20 years. Mr. Laszlo's responsibilities will cover finance and planning.

★

Mr. R. L. Watt has joined the Board of THF LEISURE as executive director with special responsibility for finance and business affairs. The company is a subsidiary of Trusthouse Forte. Mr. Watt is also a director of South Bank Theatre.

★

Mr. B. H. Walley and Mr. T. A. Welsh have been appointed directors of FERODO, a subsidiary of Turner and Newall.

★

Mr. D. S. Macfarlane has been appointed managing director of CROMARTY FIRTH ENGINEERING COMPANY, a member of the Richardsons Westgarth Group.

★

Mr. Roger C. G. Hawkins has been appointed director in charge of the industrial resins division of BORDEN (UK).

★

Mr. Stuart Douglas is to retire as director of the BRITISH MAN-MADE FIBRES FEDERATION on November 30.

★

Mr. David Simpson of the Inner London Education Authority's Education Catering organisation has been appointed chief executive of the CIVIL SERVICE CATERING ORGANISATION from June 1.

★

Mr. David R. Stoddart, who recently retired from Wedd Durlacher Mordaunt and Co., has joined the Board of RESERVE ASSET MANAGERS.

★

Mr. P. J. Cope, chairman of L&M Holdings and managing director of Linotype and Machinery, has been appointed vice-president of the MERGANTHALER GROUP, the parent division of Allied Corporation of New Jersey.

★

Mr. J. R. McIntosh has been appointed a director of HOGG ROBINSON (UK), part of the Hogg Robinson Group.

★

Mr. John Hewett-Hicks has been appointed to the Board of JOHN PLUMER & PARTNERS, Lloyd's insurance broker.

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on May 18, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchang certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	112.50
Albania	Lek	10.12
Algeria	Dinar	8.7730
Andorra	French Franc	11.585
	Spanish Peseta	190.60
Angola	Kwanza	(CM) 66.83
		(T) 68.55
Antigua (S)	E. Caribbean $	5.65
Argentina	Ar. Peso Free Rate	6,772.0
Australia (S)	Australian $	1.8350
Austria	Schilling	33.925
Azores	Portugu'se Escudo	126.85
Bahamas (S)	Ba. Dollar	2.0890
Bahrain (S)	Dinar	0.786
Balearic Isles	Spa. Peseta	190.60
Bangladesh (S)	Taka	37.50
Barbados (S)	Babados $††	4.1780
Belgium	B. Franc	(cm) 78.40
		(fn) 80.45
Belize	B $	4.1780
Benin	C.F.A. Franc	579.25
Bermuda (S)	Bda $	2.0890
Bhutan	Indian Rupee	17.45
Bolivia	Bolivian Peso	51.35
Botswana (S)	Pula	1.7075
Brazil	Cruzeiro ‡‡	173.74
Brit. Virgin Isles (S)	U.S. $	2.0890
Brunei (S)	Brunei $	4.49
Bulgaria	Lev	1.9790
Burma	Kyat	13.90
Burundi	Burundi Franc	190.085
Cameroon Republic	C.F.A. Franc	579.25
Canada	Canadian $	2.5040
Canary Islands	Spanish Peseta	190.60
Cape Verde Isle	Cape V. Escudo	76.50
Cayman Islands (S)	Cay. Is. $	1.7410
Cent. Af. Repub.	C.F.A. Franc	579.25
Chad	C.F.A. Franc	579.25
Chile	C. Peso	(Bk) 81.90
China	Renminbi Yuan	3.6269
Colombia	C. Peso	(F) 111.17
Comoro Islands	C.F.A. Franc	579.25
Congo (Brazaville)	C.F.A. Franc	579.25
Costa Rica	Colon	35.90
Cuba	Cuban Peso	1.5320
Cyprus (S)	Cyprus £	0.8750
Czechoslovakia	Koruna	(com) 12.65
		n/c 22.03
		(T) 21.35
Denmark	Danish Krone	15.13
Djibouti	Fr.	360 (sg)
Dominica (S)	E. Caribbean $	5.65
Dominican Repub.	Dominican Peso	2.0890
Ecuador	Sucre	(O) 52.44
		(F) 64.575
Egypt	Egyptian £	(U) 1.47
Equatorial Guinea	Ekuele	381.20
Ethiopia	Ethiopian Birr	(P) 4.2750
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	15.13
Fiji Islands	Fiji $	1.7730
Finland	Markka	9.0875
France	French Franc	11.585
French C'tyin Af*	C.F.A. Franc	579.25
French Guiana	Local Franc	11.585
French Pacific Is.	C.F.P. Franc	200 (sg)
Gabon	C.F.A. Franc	579.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.8150
Germany (West)	Deutsche Mark	4.8150
Ghana (S)	Cedi	5.59
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	115.9795

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	15.13
Grenada (S)	E. Caribbean $	5.65
Guadaloupe	Local Franc	11.585
Guam	U.S. $	2.0890
Guatemala	Quetzal	2.0890
Guinea Republic	Syli	43.85
Guinea Bissau	Peso	78.20
Guyana (S)	Guyanese $	5.3270
Haiti	Gourd	10.445
Honduras Repub.	Lempira	4.22
Hong Kong (S)	H.K. $	11.4075
Hungary	Forint	(com) 73.8196
		(T)(nc) 65.5814
Iceland (S)	I. Krona	14.303(§)
India (S)	Ind. Rupee	17.45
Indonesia	Rupiah	1,317.75
Iran	Rial	162.80(sg)
Iraq	Iraq Dinar	0.6120
Irish Republic (k)	Irish £	1.3145
Israel	Shekel	21.35
Italy	Lira	2,389.5
Ivory Coast	C.F.A. Franc	579.25
Jamaica (S)	Jamaica Dollar	3.7256
Japan	Yen	464.0
Jordan (S)	Jordan Dinar	0.687(sg)
Kampuchea	Riel	2,606.8
Kenya (S)	Kenya Shilling	17.825
Kiribati	Australian $	1.8350
Korea (Nth)	Won	2.06(II)
Korea (Sth)	Won	1,414.96
Kuwait	Kuwait Dinar	0.579
Laos	New Kip	20.89
Lebanon	Lebanese £	8.7465
Lesotho	Loti	1.7505
Liberia	Liberian $	2.0890
Libya	Libyan Dinar	0.6185
Liechtenstein	Swiss Franc	4.295
Luxembourg	Lux Franc	78.40
Macao	Pataca	11.70
Madeira	Portug'se Escudo	126.85
Malagasy Republic	MG Franc	579.25
Malawi (S)	Kwacha	1.8730
Malaysia (S)	Ringgit	4.8750
Maldive Islands (S)	Mal Rupee	8.25
Mali Republic	Mali Franc	1,158.5
Malta (S)	Maltese £	0.795
Martinique	Local Franc	11.585
Mauritania	Ouguiya ‡	115.40
Mauritius (S)	M. Rupee	17.75
Mexico	Mexican Peso	50.55
Miquelon	C.F.A. Franc	579.25
Monaco	French Franc	11.585
Mongolia	Tugrik	(o)6.86(II)
Montserrat	E. Caribbean $	5.65
Morocco	Dirham	10.78
Mozambique	Metical	59.45
Nauru	Australian Dollar	1.8350
Nepal	Nepalese Rupee	26.15
Netherlands	Guilder	5.3525
Netherland Antilles	Antillian Guilder	3.7393
New Zealand (S)	N. Z. Dollar	2.3720
Nicaragua	Cordoba	21.00
Niger Republic	C. F. A. Franc	579.25
Nigeria (S)	Naira	1.257479(sg)
Norway	Norway Krone	11.8725
Oman Sul'ate of (S)	Rial Omani	0.721
Pakistan	Pakistan Rupee	20.50
Panama	Balboa	2.0890
Papua N.Guinea (S)	Kina	1.4150
Paraguay	Guarani	264.60

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peru	Sol	exc (A) 854.31
Philippines	Philippine Peso	15.90
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.3720
Poland	Zloty	(Cm)71.92
		(T)71.92
Portugal	Portugu'se Escudo	126.85
Puerto Rico	U.S. $	2.0890
Qatar (S)	Qatar Ryal	7.59
Reunion Ile de la	French Franc	11.585
Romania	Leu	(Cm)9.71
		(n/c) 23.90
Rwanda	Rwanda Franc	203.25
St. Christopher (S)	E. Caribbean $	5.65
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	5.65
St. Pierre	Local Franc	11.585
S. Vincent (S)	E. Caribbean $	5.65
Salvador El	Colon	5.25
Samoa American	U.S. $	2.0890
San Marino	Italian Lira	2,389.5
Sao T'oe&Principe	Dobra	80.40
Saudi Arabia	Ryal	7.05
Senegal	C.F.A. Franc	579.25
Seychelles	S. Rupee	12.65(sg)
Sierra Leone (S)	Leone	2.4117
Singapore (S)	Singapore $	4.49
Solomon Islands (S)	Solomon Is. $	1.8350
Somali Republic	Somali Shilling	(A)13.20
South Africa (S)	Rand	1.7605
South West African Territories (S)	S. A. Rand	1.7505
Spain	Peseta	190.60
Spanish ports in North Africa	Peseta	190.60
Sri Lanka (S)	S. L. Rupee	38.25
Sudan Republic	Sudan £ (1)	1.04
Sudan Republic	Sudan £ (2)	1.67
Surinam	S. Guilder	3.7393
Swaziland (S)	Lilangeni	1.7505
Sweden	S. Krona	10.2150
Switzerland	Swiss Franc	4.2950
Syria	Syria £	(A)8.20
Taiwan	New Taiwan $	75.20
Tanzania (S)	Tan. Shilling	17.10
Thailand	Baht	43.25
Togo Republic	C.F.A. Franc	579.25
Tonga Islands (S)	Ha'anga	1.8350
Trinidad (S)	Trinidad & Tob. $	5.0136
Tunisia	Tunisian Dinar	1.0465(sg)
Turkey	Turkish Lira	211.40
Turks & Caicos	U.S. $	2.0890
Tuvalu	Australian $	1.8350
Uganda (S)	Uganda Shilling	17.80
United States	U.S. Dollar	2.0890
Uruguay	Uruguay Peso	(cm)22.21
		(fn)22.24
Utd. Arab Emirates	U.A.E. Dirham	7.66
U.S.S.R.	Rouble	1.5223
Upper Volta	C.F.A Franc	579.25
Vanuatu	Vatu	180(sg)
	Aust. Dollar	1.8350
Vatican	Italian Lire	2.3895
Venezuela	Bolivar	9.01
Vietnam	Dong	(O)4.5670
		(T)5.04(11)
Virgin Islands U.S.	U.S. Dollar	2.0890
Western Samoa	S. Samoan Tala	2.1555
Yemen (Nth)	Ryal	9.43(sg)
Yemen (Sth)	S. Yemen Dinar	(A)0.7155
Yugoslavia	New Y Dinar	72.8362
Zaire Republic	Zaire	5.756997
Zambia	Kwacha	1.83
Zimbabwe	Zimbabwe $	1.4050

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 87.75. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (||) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

Dollar eases

The dollar was weaker in currency markets yesterday. Friday's money supply figures were at the lower end of market expectations and Euro-dollar rates softened accordingly. The latest rise in prime rates to 20 per cent was seen partly as a catching up process while the authorities' view tended to lean towards a lower trend in U.S. rates.

Sterling was mostly firmer, reversing the softer tendency seen in recent weeks and was mainly a reflection of the dollar's easier trend.

European currencies showed little change within the European Monetary System. The French franc remained the weakest currency and was again at its cross rate floor against the D-mark despite further central bank support. It was also outside its divergence limit against ECU central rates but remained within its maximum divergence spread. The D-mark was the most improved currency, followed by the Dutch guilder.

DOLLAR—trade weighted index (Bank of England) fell from 106.5 to 106.1. Late demand from New York pushed the dollar firmer at the close but it was still down on Friday's levels. Against the D-mark it closed at DM 2.3045 against DM 2.3115 and SwFr 2.0550 compared with SwFr 2.0700. The French franc was firmer and the dollar closed at FFr 5.5475 down from FFr 5.5750 while in yen terms it slipped to Y222.0 from Y223.2.

STERLING—trade weighted index (Bank of England) rose to 99.2 from 98.7, having stood at 99.1 at noon and 98.8 in the morning. Sterling was firmer against the dollar and European currencies. In dollar terms it opened at $2.0860 and touched a best level of $2.1020 in the early afternoon. Renewed dollar interest reduced sterling's gains towards the close but it still finished higher at $2.0885-2.0895, a rise of 1.55c. Against the D-mark it rose to DM 4.8150 from DM 4.79 and FFr 11.5850 from FFr 11.5450 against the French franc.

D-MARK — Strongest member of the European Monetary System but the sudden fall of the French franc has led to sales of D-marks to maintain EMS agreed limits causing the German currency to weaken against the dollar. The rise in U.S. interest rates has also depressed the D-mark and led to speculation about an increase in the Bundesbank special Lombard rate—The Bundesbank sold over $25m at yesterday's fixing in Frankfurt and the dollar was fixed lower at DM 2.2904 compared with DM 2.2943 on Friday. An easier trend in Euro-dollar rates following Friday's U.S. money supply figures was seen as the main reason behind the fall. The French franc was fixed slightly above its floor level at DM 41.51 per FFr 100 compared with DM 41.505 on Friday without support at the fixing. Elsewhere the D-mark showed mixed changes. Sterling rose at the fixing to DM 4.7980 from DM 4.7640 while the Danish krone eased to DM 31.8 from DM 31.83 per DKr 100.

FRENCH FRANC—The effects of a Socialist win in the Presidential election and high U.S. interest rates continue to depress the French franc. While movements are now comparitively small in comparison with last week, the French unit remains at its floor level against the D-mark with the EMS but has recovered some lost ground against the dollar — The franc was again under considerable downward pressure in Paris yesterday. The D-mark was fixed at its ceiling level of FFr 2.4093 unchanged from Friday, despite further support for the franc by the French authorities.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	40.7985	41.3632	+1.38	+0.99	±1.5361
Danish Krone ...	7.91917	7.97366	+0.69	+0.30	±1.6413
German D-Mark	2.54502	2.53616	−0.35	−0.74	±1.1388
French Franc ...	5.99526	6.11008	+1.92	+1.53	±1.3638
Dutch Guilder ...	2.81318	2.81918	+0.21	−0.18	±1.5159
Irish Punt ...	0.685145	0.694232	+1.33	+0.94	±1.6688
Italian Lira ...	1262.92	1263.87	+0.08	+0.08	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

May 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0860-2.1020	2.0885-2.0895	1.30-1.40c dis	−7.76	3.55-3.65dis	−6.89
Canada	2.5030-2.5185	2.5035-2.5045	1.45-1.55c dis	−7.19	3.95-4.10dis	−6.43
Nethlnd.	5.32-5.36	5.34¾-5.35¾	½c pm-½ dis	—	¾ pm-¾ dis	0.37
Belgium	78.00-78.55	78.35-78.45	40-50c dis	−6.89	120-130 dis	−6.38
Denmark	15.06-15.15	15.12½-15.13½	2¾-4ore dis	−2.68	9¼-10⅞ dis	−2.64
Ireland	1.3090-1.3170	1.3140-1.3160	0.23-0.46p dis	−3.10	0.86-1.26dis	−3.23
W. Ger.	4.78½-4.82½	4.81-4.82	½pf pm-½ dis	−0.31	½-⅞ dis	−0.52
Portugal	126.00-127.50	126.75-126.95	90-150c dis	−10.88	175-350 dis	−8.28
Spain	190.40-191.75	190.50-190.70	130-165c dis	−9.29	365-410 dis	−8.13
Italy	2,386-2,397	2,388½-2,390½	18½-21½ lire dis	−10.30	55½-58½ dis	−9.54
Norway	11.83-11.90	11.86¾-11.87¾	⅝ore pm-1⅛ dis	−0.25	½-1⅞ dis	−0.36
France	11.53-11.60	11.58-11.59	7-8c dis	−7.82	19-20 dis	−6.73
Sweden	10.21-10.27	10.21-10.22	2⅞-3⅞ore dis	−3.96	8⅞-9⅞ dis	−3.67
Japan	460-466	463½-464½	2.30-1.80y pm	5.30	5.45-4.75 pm	4.83
Austria	33.85-34.05	33.90-33.95	4gro pm-2 dis	0.35	par-10 dis	−0.59
Switz.	4.27-4.31	4.29-4.30	1½-½c pm	2.44	2½-1½ pm	1.86

Belgian rate is for convortible francs. Financial franc 80.40-80.50. Six-month forward dollar 5.45-5.55c dis, 12-month 8.00-8.20c dis.

THE DOLLAR SPOT AND FORWARD

May 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0860-2.1020	2.0885-2.0895	1.30-1.40c dis	−7.75	3.55-3.65dis	−6.89
Ireland†	1.5880-1.5970	1.5880-1.5900	0.49-0.69c dis	−4.44	1.25-1.65dis	−3.63
Canada	1.1985-1.2005	1.1985-1.1988	0.01-0.05c dis	−0.30	0.06-0.10dis	−0.27
Nethlnd.	2.5400-2.5540	2.5520-2.5540	1.78-1.68c pm	8.14	4.50-4.40 pm	6.98
Belgium	37.32-37.54	37.52-37.54	3c pm-par	0.48	3 pm-par	0.16
Denmark	7.1980-7.2390	7.2350-7.2375	3-2¾ore pm	4.77	8-7½ pm	4.29
W. Ger.	2.2885-2.3060	2.3040-2.3050	1.44-1.38pf pm	7.34	3.61-3.55 pm	6.21
Portugal	60.70-60.95	60.75-60.90	par-30c dis	−2.96	20pm-60dis	−1.32
Spain	91.10-91.60	91.50-91.60	par-10c dis	−0.66	15-30 dis	−0.99
Italy	1,141-1,144	1,143-1,144	2½-3¼ lire dis	−3.02	7-8½ dis	−2.71
Norway	5.6660-5.6830	5.6750-5.6800	3½-3ore pm	6.88	9.70-9.20 pm	6.67
France	5.5150-5.5500	5.5450-5.5500	0.20c pm-0.30dis	−0.11	½ pm-¼ dis	−0.18
Sweden	4.8820-4.9035	4.8850-4.8875	1.40-1.20ore pm	3.19	3.75-3.55 pm	2.99
Japan	221.00-222.50	221.95-222.05	2.55-2.40y pm	13.38	6.65-6.50 pm	11.85
Austria	16.18-16.25½	16.23½-16.24½	11-9½gro pm	7.57	27½-23½ pm	6.28
Switz.	2.0400-2.0575	2.0545-2.0555	1.75-1.65c pm	9.93	4.40-4.30 pm	8.47

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

May 18	Bank of England Index	Morgan Guaranty Changes%
Sterling	99.2	−26.8
U.S. dollar	106.1	+0.3
Canadian dollar	87.1	−17.5
Austrian schilling	115.1	+22.1
Belgian franc	106.9	+9.8
Danish kroner	86.8	−11.5
Deutsche mark	118.1	+38.7
Swiss franc	134.1	+77.3
Guilder	109.6	+14.5
French franc	82.8	−12.5
Lira	58.3	−55.3
Yen	142.5	+37.2

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.565463	0.531176
U.S. $	14	1.17475	1.10272
Canadian $	18.71	1.461181	1.32538
Austria Sch	6¾	19.0603	17.9082
Belgium F	14	45.9797	41.3024
Danish K	11	unavail.	7.96165
D mark	7½	2.69523	2.53350
Guilder	9	3.00090	2.81566
French Fr	9½	6.50342	6.10356
Lira	19	1342.45	1260.41
Yen	6¼	260.677	245.466
Norwgn. Kr.	9	6.67728	6.25684
Spanish Pts.	8	unavail	101.009
Swiss Fr	12	5.76567	5.41436
Greek Dr	5	2.42351	2.27712
Swed Kr	20½	—	61.5650

OTHER CURRENCIES

May 18	£	$		£ Note Rates
Argentina Peso	6762-6782	3220-3250	Austria	33.70-34.05
Australia Dollar	1.8330-1.8370	0.8785-0.8790	Belgium	79.50-80.50
Brazil Cruzeiro	173.24-174.24	82.53-82.94	Denmark	14.97-15.12
Finland Markka	9.06-9.06½	4.3175-4.3185	France	11.50-11.68
Greek Drachma	114.526-117.453	55.70-55.90	Germany	4.78-4.81
Hong Kong Dollar	11.39½-11.41½	5.4430-5.4460	Italy	2340-2385
Iran Rial	162.80*	78.40*	Japan	462-468
Kuwait Dinar (KD)	0.576-0.582	0.2775-0.2778	Netherlands	5.31½-5.35½
Luxembourg Frc.	78.35-78.45	37.52-37.54	Norway	11.78-11.88
Malaysia Dollar	4.8675-4.8825	2.3290-2.3340	Portugal	122½-129
New Zealand Dlr	2.3695-2.3745	1.1350-1.1360	Spain	185½-196
Saudi Arab. Riyal	7.02-7.08	3.3795-3.3815	Sweden	10.18-10.28
Singapore Dollar	4.4825-4.4975	2.1490-2.1540	Switzerland	4.26-4.30
Sth African Rand	1.7495-1.7515	0.8375-0.8385	United States	2.09¼-2.11¼
U.A.E. Dirham	7.63-7.69	3.6715-3.6740	Yugoslavia	74-80

Rate given for Argentina is free rate. * Selling rate.

EXCHANGE CROSS RATES

May 18	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.089	4.815	464.0	11.586	4.295	5.353	2390.	2.504	78.40
U.S. Dollar	0.479	1.	2.305	222.1	5.546	2.056	2.562	1144.	1.199	37.53
Deutschemark	0.208	0.434	1.	96.37	2.406	0.892	1.112	496.3	0.520	16.28
Japanese Yen 1,000	2.155	4.502	10.38	1000.	24.97	9.256	11.54	5150.	5.397	169.0
French Franc 10	0.863	1.803	4.156	400.5	10.	3.707	4.620	2063.	2.161	67.67
Swiss Franc	0.233	0.486	1.121	108.0	2.697	1.	1.246	556.3	0.583	18.25
Dutch Guilder	0.187	0.390	0.900	86.69	2.164	0.802	1.	446.4	0.468	14.65
Italian Lira 1,000	0.418	0.874	2.015	194.2	4.848	1.797	2.240	1000.	1.048	32.81
Canadian Dollar	0.399	0.834	1.923	185.3	4.627	1.715	2.138	954.3	1.	31.31
Belgian Franc 100	1.276	2.665	6.142	591.8	14.78	5.478	6.827	3048.	3.194	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 18)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 3/4	offer 18 7/8	bid 17 15/16	offer 18 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 18	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11⅛-11⅜	18¼-18½	17-18	10⅛-10¼	½-1	10¼-10⅝	15½-16½	18-19½	13-16	6¼-6½
7 days' notice	11⅜-11⅝	18½-18¾	17-18	10-10¼	2-2½	10⅞-11⅛	16½-17½	19-21	16-18	6⅜-6⅝
Month	11¹⁵⁄₁₆-12¹⁄₁₆	18⁷⁄₁₆-18⁹⁄₁₆	18⅜-18¾	11⅛-11¼	9⅞-10	12⅛-12¼	18-19	20¾-21½	17½-18¾	6⅞-7⅛
Three months	12¹⁄₁₆-12³⁄₁₆	18¾-19	18⅜-18¾	11⁵⁄₁₆-11⁷⁄₁₆	10¹⁄₁₆-10³⁄₁₆	12⅜-12½	18-19	21⅛-21⅞	18-21	7¾-8
Six months	12⅛-12⅜	17⅞-18⅛	17½-17⅞	11⁵⁄₁₆-11⁷⁄₁₆	10¹⁄₁₆-10³⁄₁₆	12⁵⁄₁₆-12⁷⁄₁₆	18-19	20¾-21½	17-18	7¹⁵⁄₁₆-8¹⁄₁₆
One Year	12⅞-13	17⁵⁄₁₆-17⁷⁄₁₆	17-17⅜	12-12⅛	9½-9⅝	12¹⁵⁄₁₆-12¹⁵⁄₁₆	16½-17½	20¼-21	16¼-17¼	8⅛-8⅜

SDR linked deposits: one-month 14¹³⁄₁₆-15³⁄₁₆ per cent; three-months 15³⁄₁₆-15⁷⁄₁₆ per cent; six-months 14¾-15⅛ per cent; one-year 14⅜-14¾ per cent.

ECU linked deposits: one-month 14⁹⁄₁₆-14¹¹⁄₁₆ per cent; three-months 14⅞-15 per cent; six-months 14¹³⁄₁₆-14¹⁵⁄₁₆ per cent; one-year 14½-14⅝ per cent.

Asian $ (closing rates in Singapore): one-month —— per cent; three-months —— per cent; six-months —— per cent; one-year —— per cent. Long-term Eurodollar two-years 16⅞-16⅞ per cent; three-years 16¼-16½ per cent; four-years 16¼-16½ per cent; five-years 16¼-16½ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.50-18.60 per cent; three-months 18.70-18.80 per cent; six-months 18.85-18.95 per cent; one-year 16.95-17.05 per cent.

INTERNATIONAL MONEY MARKET

Europe rates steady

Call money was quoted at 11.70-11.90 per cent in Frankfurt yesterday, compared with 11.80-11.90 per cent on Friday, and the Bundesbank special Lombard rate of 12 per cent. One-month funds eased to 12.80-12.95 per cent from 12.85-13.10 per cent, with three-month at 13.15-13.20 per cent, against 13.05-13.25 per cent, while six-month rose to 13.20-13.30 per cent from 13.05-13.25 per cent. 12-month money was 13.00-13.10 per cent, compared with 12.90-13.15 per cent.

In Paris call money remained at 16 per cent, where it has been since last Thursday. Money market rates have been limited to day-to-day operations since the result of the Presidential election at the beginning of last week.

In Amsterdam call money was unchanged at 10¼-10⅜ per cent, and period rates were also steady, with one-month at 11⅛-11¼ per cent; three-month 11⅜-11½ per cent; six-month 11¾-12 per cent; and 12-month 12-12⅛ per cent.

In Rome it was announced that the Italian Treasury Ministry will offer L16 trillion of Treasury bills by auction through the Bank of Italy, to replace maturities of L14 trillion. The offer closes on Thursday and is made up of L5½ trillion three-month bills; L8 trillion six-month bills; and L2½ trillion 12-month bills. On the following day the authorities will offer L1½ trillion of three-year floating rate Treasury certificates.

MONEY RATES

NEW YORK	
Prime Rate	19½-20
Fed. Fund	18¼-18½
Treasury Bills (13-week)	16.18
Treasury Bills (26-week)	15.22
GERMANY	
Special Lombard	12.00
Overnight Rate	11.80
One month	12.875
Three months	13.175
Six months	13.25
FRANCE	
Intervention Rate	18
Overnight Rate	16.0
One month	—
Three months	—
Six months	—
JAPAN	
Discount Rate	6.25
Call (Unconditional)	7.0625
Bill Discount (three-month)	7.40625

UK MONEY MARKET

Adequate supply

Bank of England Minimum Lending Rate 12 per cent (from March 10, 1981)

Funds were in adequate supply in the London money market yesterday and the authorities did not intervene. The market was faced with a large number of maturing eligible bills in official hands, but this was roughly balanced by a small decline in the note circulation, a small excess of Government disbursements over revenue payments to the Exchequer, and market holdings of a moderate amount of maturing Treasury bills.

Discount houses paid about 10¾ per cent for early secured call loans, with closing balances taken at 11½-11¾ per cent, although some money was found at around 10 per cent.

In the interbank market overnight loans opened at 11¼-11½ per cent, and finished around 12½-13 per cent, but up to 20 per cent was paid for very late money.

GOLD

Little change

Gold fell just $3 an ounce in the London bullion market yesterday to $480-483 in very quiet and featureless trading. The metal opened at the same level and was fixed during the morning and afternoon at $481.75.

In Paris the 12½ kilo bar was fixed at FFr 94,700 per kilo ($533.74 per ounce) in the afternoon compared with FFr 93,000 ($522.59) in the morning and FFr 92,000 ($516.89) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,595 per kilo ($483.01 per ounce) against DM 35,730 ($483.17) previously and closed at $481-484 compared with $484-487 on Friday.

In Zurich gold finished at $481-484 per ounce from $484-487 previously.

	May 18		May 15	
Gold Bullion (fine ounce)				
Close	$480-483	(£229½-231)	$483-486	(£232-234¼)
Opening	$480-483	(£230-231¾)	$482-485	(£232-233½)
Morning fixing	$481.75	(£230.615)	$482.50	(£232.228)
Afternoon fixing	$481.75	(£229.623)	$485	(£233.061)
Gold Coins				
Krugerrand	$492½-493½	(£235¾-236½)	$498-499	(£240½-241)
1/2 Krugerrand	$254¼-255¼	(£121¾-122¼)	$256-257	(£123½-124)
1/4 Krugerand	$129½-130½	(£62-62½)	$131-132	(£63¼-63¾)
1/10 Krugerrand	$53-54	(£25¼-25¾)	$54-55	(£26-26½)
Mapleleaf	$488½-489½	(£233¾-234¼)	$492-493	(£237½-238)
New Sovereigns	$120-120¾	(£57½-58)	$122-123	(£59-59½)
King Sovereigns	$131-133	(£62½-63½)	$131-133	(£63¼-64¼)
Victoria Sovs	$131-133	(£62½-63½)	$131-133	(£63¼-64¼)
French 20s	$196-199	(£93¾-95¼)	$196-200	(£94¾-96½)
50 pesos Mexico	$598-603	(£286¼-288½)	$600-604	(£289¾-291¾)
100 Cor. Austria	$465-469	(£222½-224½)	$468-472	(£226-228)
$20 Eagles	$585-590	(£280-282)	$583-587	(£281½-283½)

LONDON MONEY RATES

May 18 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10⅝-20	10¾-11⅛	—	—	11⅛-11⅜	10-11¾	—	—	—
2 days notice	—	—	11⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¼-11⅝	11⅞	—	11⅝	11½-11¾	11-11⅛	—	—	—
One month	11⅞-11⁹⁄₁₆	11⅞-12	11⅞-12	12⅛-12⅞	12¼	12¼-12⅜	11½	11⅞-11⅞	11⅞-11⅞	12⁹⁄₁₆
Two months	12⅛-11⅞	12⅛-12¼	—	13-12¾	12½	12⅛	11⅝	11⅝-11⅞	11⅝-11⅞	12⅜
Three months	12⅛-12⅛	12⅛-12⅛	12¼-12⅛	13-12⅝	12⅝	12⅛-12⅝	11¾	11⅝-11⅞	11⅞-11⅞	12⅞
Six months	12⅛-12⅛	12⅛-12½	12¼-12⅜	13-12⅝	12⅞	12¾	—	—	11⅝-11⅞	12⅛
Nine months	12⅛-12⅜	12⅛-12⅝	—	13⅛-12¾	12¾	12¾	—	—	—	—
One year	12½-12⅝	12⅞-12⅞	12½-12¾	13-12¾	12⅞	12¾	—	—	—	—
Two years	—	—	13¼-13½	—	13	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾-13¾ per cent; four years 13¾-13⅞ per cent; five years 13⅞-14 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11½-11⁹⁄₁₆ per cent; four-month trade bills 12¼ per cent.

Approximate selling rate for one-month Treasury bills 11⅞ per cent; two-months 11⁹⁄₁₆ per cent; three-months 11½-11⁹⁄₃₂ per cent. Approximate selling rate for one-month bank bills 11⁹⁄₁₆-11²³⁄₃₂ per cent; two-months 11⁹⁄₁₆ per cent; three-months 11½-11¹⁷⁄₃₂ per cent; one-month trade bills 12¾ per cent; two-months 12⅝ per cent and three-months 12⁹⁄₁₆ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from May 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.3028 per cent.

WORLD STOCK MARKETS

Dow 0.36 up at mid-session

Stocks opened on a firm note but weakened somewhat on news that Morgan Guaranty Trust raised its prime rate from 19.5 per cent to 20 per cent, to be followed by First National Bank of Chicago.

The Dow Jones Index then rallied to be 0.36 higher at mid-session, at 986.31. Turnover was 33.1m shares, against 33.2m on Friday. Advancing issues were well ahead of declines, however.

The NYSE All Common Index was 26 cents ahead at $76.80.

Dean Witter fell $3¼ to $32⅞ among the otherwise fractionally higher Brokerage shares. Dean Witter last week said it was not engaged in merger talks and wanted to remain independent.

E. F. Hutton rose ⅝ to $42⅝ and Merrill Lynch was up ⅜ to $38⅛.

Heavily traded General Telephone and Electronics, Sears Roebuck and Atlantic Richfield were fractionally lower. IBM, also among the most active issues, rose ⅜ to $56⅜ after introducing a pharmacy computer system.

Humana gained $2⅛ at $41¼ and Hospital Corp. of America was up $1⅛ to $46⅛.

American Telephone retreated ⅜ to $57⅝, with over 230,000 shares changing hands.

THE AMERICAN SE Market Value Index was off one point at 369.9 on volume of 3.6m shares.

Most active Tubos de Acero gained ⅛ at $7¼ on over 160,000 shares. Houston Oil was unchanged on volume of 112,000 shares. Less active Delhi International eased $1⅛ to $79.

Germany

The market closed mixed in sluggish trading, lacking foreign buying interest. The Commerzbank Index was one point lower at 713.7.

In lower Banks, Dresdner Bank sched DM 8.80 to DM 146.2 after paying out its 1980 dividend. Bayerische Vereinsbank DM 2.50 to DM 271 and Deutsche Bank DM 1 to DM 270. Commerzbank eased 60 pf.

VW rose 30 pf to DM 162.3 in otherwise lower Motors. Chemicals were also mixed, and Engineerings tended easier after a stronger opening. Kali und Salz gained DM 1.20 against the trend and Preussag rose 90 pf to DM 139.4.

The Domestic Bond market was mostly weaker with losses extending to a full point and the Bundesbank buying DM 9.9m of paper.

Mark Eurobonds were steady.

Closing prices for North America were not available for this edition.

Canadian and Singapore markets were closed yesterday for public holiday.

Paris

Prices came under more heavy selling pressure, with sentiment depressed by an opinion poll suggesting Left-wing parties will win a majority in next month's parliamentary elections. Declines led advances five to one, with Metals and Mechanicals weakest.

Among shares in line for nationalisation, Rhone-Poulenc fell FFr 2.5 to FFr 65.6 and CGE FFr to FFr 297.

Other lower sectors included Insurances, Portfolios, Foods, Cars, Constructions, Engineerings, Stores and Chemicals.

In the Foreign sector, Americans, Germans, and Coppers were lower, Japanese were mixed and Oils and Gold Mines were firmer.

Amsterdam

Shares closed higher on a stronger performance in International stocks, especially Unilever. Gainers outpaced losers 117 to 57.

Unilever traded as high as Fl 158 during the day after reporting a 31 per cent increase in its earnings per share to Fl 6.84 in the first quarter, from Fl 5.20 a year earlier. It closed at Fl 157.

Royal Dutch/Shell and Philips were also firm. Banks and Insurances showed minor fluctuations. In the local industrial sector, Oce van der Grinten gained Fl 2 to close at Fl 117.

Milan

Prices closed mainly easier in active trading on end-account liquidation and position squaring.

Montedison, Rinascente, Finsider (down L4 at L55) Bastogi, Fiat, Olivetti and Pirelli SpA all lost ground.

But selective buying helped firm a number of issues including Italcementi (L1,350 higher at L57,350), Centrale and Mediobanca.

Switzerland

Share prices were quietly steady in small turnover with the firmer franc having little effect on buying sentiment.

Foreign orders helped bearer shares of major Banks to post small gains, while Swissair profited from continued demand for Airline issues in the U.S., rising SwFr 3 to SwFr 710.

Financial were steady, with Oerlikon Buehrle recovering from earlier weaknes to close SwFr 15 ahead at SwFr 2,295 and special situation stocks such as Trans K-B and Sika Finanz were in demand. Insurances showed little change.

Tokyo

Share prices fell on profit-taking, though Steels rose sharply in active trading. The Nikkei Dow Jones Index moved down 34.95 to 7,451.89, on moderate volume of 500m shares (570m). Declines led advances 419 to 198.

Pioneer lost Y160 to Y3,810 after announcing its half-year results on Friday, which depressed other electricals and export-oriented issues.

Insurance Companies ended down after a firm opening, but Steels did well towards the close with Sumitomo Metal gaining Y9 at Y255.

TDK Electronics and Victor Japan each lost Y90 to close at Y5,120 and Y3,290 respectively, though Sony put on Y70 at Y5,130.

Canon eased Y40 to Y1,490, Fuji Film Y20 to Y1,810, Toyota Y26 to Y954 and Honda Y10 to Y865.

Australia

In quiet trading, the Sydney All Ordinaries Index firmed 1.5 to 688.9.

Activity in Banks focused on the CBC group as traders attempted to guess the terms of the ANZ Bank's proposed merger offer. Merger talks were later discontinued.

CBC finished 10c lower at A$7.20 after trading as high as A$7.65. The ANZ fell 20c to A$4.10 while the National Bank was steady at A$3.50, keeping its bid for CBC firm at the equivalent of A$7 a share.

The Bank of NSW, bidding for CBA Bank, was up 4c at A$3.03, while CBA eased 20c to A$6.50.

Hong Kong

Prices closed higher, extending the rise of late last week, and the Hang Seng Index ended 14.02 points up at 1562.23.

Hutchison Whampoa rose HK$1.60 to HK$19. HK Electric 5c to HK$6.35. HK Kowloon Wharf 10c to HK$8.95 and Jardine Matheson 70c to HK$21.70. All other leaders were unchanged, apart from Cheung Kong, which dropped 20c to HK$27.80.

Sun Hung Kai Properties eased 10c to HK$16.50 and Swire Properties 50c to HK$12.60, while Sun Hung Kai Securities rose 27½c to HK$4.575, Trafalgar 10c to HK$6.55 and Hopewell 30c to HK$18.30.

Johannesburg

Gold shares closed slightly firmer on local demand, despite an easier bullion price, in quite trading.

De Beers was steady at R9.40, while Industrials closed narrowly mixed.

NEW YORK

CANADA

Indices

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
IBM	647,800	56⅞	−⅛	Sears Roebuck	435,000	20⅛	+⅛
Amer. Airlines	643,500	19⅞	+1¾	Gen. Tel. El.	372,500	28⅛	−⅛
ATT	636,000	58	+1	Texas Utilities	363,900	18⅞	+⅛
Sony	618,000	23⅛	+⅛	Digital Equip.	363,200	100⅛	+⅞
Lockheed	570,600	39	+2	INCO	337,900	23⅛	+1⅞

COMMODITIES AND AGRICULTURE

Jamaican banana exports start

By Canute James in Kingston

JAMAICA will next week resume exports of bananas to the UK after a ten-month break. The island's banana industry, which over the past 20 years has supplied about 25 per cent of Britain's needs, was devastated by a hurricane last August.

Shipments to Britain before the hurricane averaged about 70,000 tonnes per year, but fell to 33,000 tonnes last year because of the hurricane. The Jamaican Government says it feels it can sell as much as 150,000 tonnes on the British market. It is aiming to raise exports to 120,000 tonnes by 1984, which could bring earnings of $40,000 according to a government statement.

Jamaica recently received a $37m loan from the World Bank for export development, and about a half of this is to be used to rehabilitate the export banana industry.

The qualtiy of Jamaican bananas when the reach Britain has been a cause of complaints from fruiterers, greengrocers and housewives. The Agriculture Ministry here has launched a public education campaign asking farmers to improve the quality of their fruit.

UK fish landings fall

By Richard Mooney

UK FISH landings totalled 756,908 tonnes (including shellfish) last year, 9 per cent less than in 1979, and average quayside prices fell 4 per cent, according to figures published yesterday by the White Fish Authority.

Among the commercially significant species, landings were only higher for haddock (up 17 per cent) herring (up 23 per cent) and sandeels (up 148 per cent). The cod catch was down 5 per cent to 58,338 tonnes and the mackerel catch down 28 per cent to 252,735 tonnes.

Quayside prices fell for all human consumption species except sprats.

Imports of fresh, frozen and cured fish rose to 309,697 tonnes from 302,114 tonnes in 1979. But this rise was exceeded by the growth in exports from 38,969 tonnes to 54,558 tonnes.

European boost for lead market

BY JOHN EDWARDS, COMMODITIES EDITOR

LEAD PRICES defied a general downtrend in base metals on the London Metal Exchange yesterday, following an announcement by Italian metal producer, Samin, that it was declaring indefinite *force majeure* on about half its lead output because of pollution problems at its Sardinia smelter.

Samin, which is part of the state-controlled ENI group, is a relatively small lead producer with an annual output capacity of 40,000 tonnes of lead bullion and 28,000 tonnes of lead ingots. However, its difficulties reflect some of the production problems affecting old lead smelting plants.

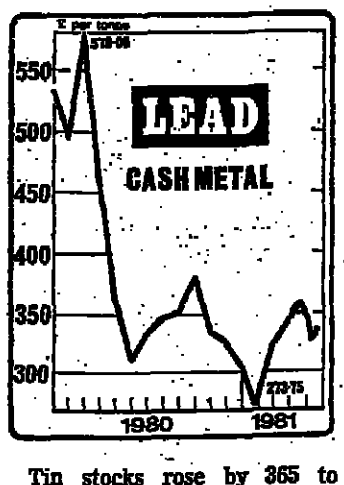
Aiding the advance in the lead market too yesterday were reports of increased European consumer buying interest, including from the Communist bloc. This more than offset the rise of 575 tonnes in lead stocks last week raising total holdings in the LME warehouses to 48,000 tonnes. Cash lead closed £5.5 up at £337.5 a tonne.

In contrast, lead's sister metal zinc came under selling pressure yesterday. Cash zinc closed £9 lower at £410 a tonne. The three months quotation after opening at £429 dropped to £408 at one stage on the later afternon kerb, before rallying to £414. This was in spite of a fall in LME zinc stocks of 925 tonnes to a total of 87,900 tonnes.

However, it was confirmed on Friday that a strike had been averted at Cominco's Tisil smelter in British Colombia when workers ratified new labour contracts.

Outokumpu of Finland confirmed yesterday it was raising its European zinc producer price by $50 to $925 a tonne in line with the increases announced by other companies last week, including AM and S Europe, which runs the Avonmouth smelter in Britain.

Copper stocks were down by 1,650 to 117,500 tonnes. But the market was held back by the strength of sterling and news of another rise in U.S. interest rates. Cash wirebars closed £2.25 lower at £838.25 a tonne.



Tin stocks rose by 365 to 7,585 tonnes and the easier supply situation helped depress the cash price, which fell by £67.5 to £6,110 a tonne, while the three months quotation lost £55 to £6,222.5.

Aluminium stocks also increased by 1,700 to 52,025 tonnes, but the market was only marginally lower. Alcoa announced last week that it is to reduce aluminium production at two of its U.S. smelters because of rising stocks. The company plans to suspend production of a 22,000 tonnes-a-year potline and halve output of a 28,000 tonnes plant.

Nickel holdings in LME warehouses rose by 468 to 2,418 tonnes, but silver stocks fell by 110,000 to 24,800,000 oz.

World tea output record

WASHINGTON — World tea production last year totalled a record 1.80m tonnes, nearly 2 per cent above the previous year, the U.S. Agriculture Department said.

The department said the larger crop was due largely to production increases in India, China, Turkey, Indonesia and Bangladesh, which more than offset drought-induced declines in Sri Lanka, Kenya and the USSR, reports Reuter.

World tea exports last year were estimated to have exceeded the record 1979 level of 322,000 tonnes, as larger shipments from India and China offset reductions by Sri Lanka and Kenya.

The USDA said the average London auction price for all teas rose slightly in 1980 to $1.01 per pound from the 1979 level of 98c per pound, primarily reflecting inflation pressures on shipping and production costs.

It said prices during the early months of this year have remained around $1 per pound, but with global sugar prices receding from their unusually high levels of last year, tea consumption may increase and lend support to tea prices.

P. C. Mahanti in Calcutta writes: The Indian Tea Board has calculated that tea exports for 1980-81 totalled 234.2m kilos compared with 208.45m in 1979-80, showing an increase of 25.87m kilos but still short of the year's target of 240m.

Under the Sixth Plan export targets for tea there should be an annual increase of 11m-12m kilos of tea which would lift the target for 1981-82 to at least 245m kilos.

Canadian tungsten mine strike ends

THE strike at Amax's 65 per cent owned Canada Tungsten Mining Corporation ended last week, Amax chairman and chief executive officer M. Pierre Gousseland told analysts.

Further details were not immediately available on the settlement of the strike, which began last November 14. Canada Tungsten produced 7m lbs of tungsten contained in scheelite concentrate last year.

M. Gousseland later said that the company is stockpiling nickel, because of contractual obligations with Botswana RST and molybdenum, in anticipation of an upturn in demand.

Reuter

SHEEPMEAT

EEC threat to Australian trade

BY PATRICIA NEWBY IN CANBERRA

THE AUSTRALIAN sheepmeat industry is watching with concern the UK's battles within the EEC over the clawback levy on UK exports to the Community.

It is particularly alarmed at reports that UK abattoirs are making arrangements to slaughter British lamb according to Islamic Hal-al rules so that exports to Middle East markets would be possible.

The Australian industry fears that unless the clawback levy is modified, UK sheepmeat exports to the Community, which have already been reduced to a trickle, might cease permanently leaving about 30,000 tonnes of UK lamb and mutton for export to other markets each year, particularly the Middle East, in competition with Australian sheepmeat.

The Middle East is by far Australia's biggest market for sheepmeat—around 5.7m live sheep were exported last year in addition to chilled and frozen lamb and mutton.

Mr. Richard Moxham, Secretary of the Sheepmeat Council of Australia, told the council's annual meeting in Canberra recently that it was unlikely that surplus UK lamb would be consumed within the UK if exports to the EEC ceased.

He said it was also unlikely that UK sheep farmers would adjust their production to domestic demand, partly because the new EEC sheepmeat regime made lamb production more profitable than before its introduction.

The net effect might well be an increase in the amount of lamb exported to third countries, as these exports were exempt from the clawback levy, Mr. Moxham said.

After representations from Australia last year which ended in a threat by Mr. Doug Anthony, Australia's Deputy Prime Minister to divert trade away from the EEC, a clause was inserted in the EEC-sheepmeat regime that the Community would avoid any market development which could prejudice the marketing of Australian mutton and lamb.

Mr. Moxham said yesterday if UK exporters moved to increase sales of lamb to the Middle East above traditional levels of around 200 tonnes a year this could represent a breach of the Australia/EEC sheepmeat agreement.

Cheap air and sea freight services between the UK and the Middle East could be another incentive for UK exporters, Mr. Moxham said. Charter airlines could service the Middle East from the UK at freight rates of about $A1 a kilo compared with $2.50 for charter flights from Australia.

Mr. Ralph James, acting president of the Sheepmeat Council, also expressed concern over EEC sheepmeat policies. He said it was "an unfortunate fact" that the EEC was exporting subsidised meat into Australia's traditional markets.

He cited a tender to Egypt and a consignment to Singapore which he said had been subsidised at the rate of $A1,500 and $A1,800 per tonne respectively.

Australia's sheepmeat trade for the financial year to June 30, 1980 earned $A391m.

Cocoa and coffee values fall

BY OUR COMMODITIES STAFF

REPORTS OF producer selling hit coffee and cocoa futures prices in London yesterday.

The July delivery coffee position fell £35 to £1,004.5 a tonne in the face of a wave of speculator selling. The downward impetus came from an after-hours movement in New York on Friday night which was prompted by talk of Brazilian selling. But London traders said the Brazilian sales represented "paper activity" rather than physical sales.

The July position fell to £1,000 a tonne at one stage but resistance became apparent at this psychological level and prices steadied near the close. Dealers suggested the market may have become oversold and could be due for an upward correction.

In Washington the U.S. Census Bureau reported that American green coffee roastings in the first quarter of the year totalled 4.74m bags (60 kilos each) down from 4.87m in the fourth quarter of 1980, but higher than the 4.29m roasted in the same 1980 quarter.

The producer selling that pushed London cocoa prices lower came from Nigeria and the Ivory Coast. Dealers saw particular significance in the continued Nigerian selling in view of that country's assertion some time ago, when prices were higher, that it had set a minimum price below which it refused to sell.

The dealers suggested that storage problems might have forced Nigeria to reconsider this policy.

July delivery cocoa on the London futures market slipped to £898 a tonne at one time—only a little above recent five-year lows—but values steadied towards the close and July ended the day £7.50 down at £902 a tonne.

In Accra the Ghana Cocoa Marketing Board has submitted proposals to the Government for an increase in the producer price of cocoa, reports Reuter.

The board's interim management committee chairman Mr. Alhaji Mumuni Bawumia said the intention in proposing the first producer price rise since the start of the 1979-80 season was to revive the flagging cocoa industry by encouraging farm maintenance, boosting production and reducing the incentive to smuggle cocoa.

● West Germany is unlikely to approve an EEC Commission declaration stating support for provisional application of the 1980 new International Cocoa Agreement, the Government said in Bonn.

Germany's view on the agreement is unchanged since its decision in March to sign the pact, it said. It said then it would only support provisional application if the main producers were represented too.

The new pact has been prevented from coming into force because the Ivory Coast, the largest producer, and the U.S., the main consumer, have both refused to sign the agreement.

Germany decided in March to sign the pact to show its interest in participating and in the hope that the Ivory Coast would respond and join too.

Other member states may decide at today's meeting of EEC Foreign Ministers to approve provisional application on an individual basis, rather than at a joint EEC level.

U.S.-Soviet grain talks soon

WASHINGTON—The U.S. may soon hold talks with the Soviet Union about additional sales of grain for shipment in the fifth and final year of grain supply agreement between the two countries.

Mr. J. Dawson Ahalt, Deputy Assistant Agriculture Secretary told the American Meat Institute yesterday that the USSR would need additional feedstuffs this summer.

There have been follow-up discussions since the initial meeting on April 24 which followed the lifting of the U.S. grain embargo. Mr. Ahalt said he had no new details on these talks.

Other Administration officials have said that discussions focused on the ground rules for a meeting between top-level U.S. and Soviet officials. Details about this meeting could be disclosed early this week, they added.

Mr. Ahalt said he hoped the Soviet Union would look upon the U.S. as a reliable grain supplier in the future.

But Mr. John Block, agriculture secretary, said no senior-level meeting has been set with the USSR to discuss additional grain sales.

After addressing the American Meat Institute, Mr. Block told reporters he is optimistic talks can be held with the Soviets but there has been no fixed meeting place or time.

"We are talking on a lower level but nothing has been lined up," he said.

Last week the head of a Soviet trade delegation visiting Buenos Aires pointedly described Argentina as his country's "most important partner concerning sales of grain." Since the U.S. imposed its embargo following the USSR's Afghan invasion, Argentina has taken the lead in filling the supply gap.

The USSR has already contracted to buy almost 10m tonnes of Argentinian grain in 1981, nearly a third of its total projected import requirement.

Supplies of U.S. feedgrains this autumn will be about 40 per cent below a year earlier, at an estimated 31m tonnes, in spite of sharply lower use last winter and continued weak demand, according to the U.S. Agriculture Department.

Carryover stocks would be only 14 per cent of total projected use, compared with an average ratio of 22 per cent during the 1977-79 period. During 1974-76, when supplies were particularly tight, the ratio averaged 12 per cent.

Total feedgrain usage in the 1980-81 year is estimated by the Department at 220m tonnes, down from last season's record 232m. The cut is expected because of lower projected livestock-to-grain price ratios, smaller animal numbers and increased roughage feeding.

The department noted early season projections for the 1981-82 season point towards increases in both harvested area and average yields which will result in output well above the drought-reduced 198m tonnes produced in 1980.

With normal yields, production would be around 231m tonnes, but the smaller stocks meant total supplies would be only 11m tonnes higher than this season, USDA said.

Reuter

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Quietly steady on the London Metal Exchange with forward metal moving in a £4 trading range prior to closing the late Kerb at £861.5. Turnover 16,000 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	836-7	+.25	838-.5	-2.25
3 months	860.5-1	+1.25	862-.5	-1
Settlem't	837	+.5	—	......
Cathodes				
Cash	831-2	-.5	830-1	-5
3 months	851-.5	+2.25	850-.5	-3
Settlem't	832	-.5	—	......
U.S. Prod.	—		*85.65-88	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £837.5, 36.5, 36, three months £862.5, 63, 62.5, 62, 61.5, 61. Cathodes, cash £832, three months £851. Kerb: Wirebars, cash £836.5, 37, three months £861, 60, 60.5, 61. Afternoon: Wirebars, three months £862, 62.5, 63, 62.5. Cathodes, three months £850.5. Kerb: Wirebars, three months £862.5, 62, 61, 60.5, 61.

TIN—Easier as nervous selling saw forward metal decline from £6,240 to £6,190 before closing the late Kerb at £6,222.5, with the contango widening to £110. Turnover: 880 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6110-5	-35	6100-20	-87.5
3 months	6230-5	-28	6220-5	-55
Settlem't	6115	-35	—	......
Standard				
Cash	6110-5	-35	6100-20	-87.5
3 months	6230-5	-20	6220-5	-55
Settlem't	6115	-35	—	......
Straits E.	$629.55	-0.05		......
New York	—	......		

Morning: Standard, cash £6,110, three months £6,220, 6,190, 6,210, 20, 30, 25, 30. Kerb: Standard, three months £6,230, 40. Afternoon: Standard, three months £6,220. Kerb: Standard, three months £6,225, 20, 28.

LEAD—Firmer following reports of production problems at the Samin smelter in Sardinia. Three months opened at £342 and gradually moved up to close the late Kerb at £350.5 in the wake of physical demand from eastern Europe which triggered stop-loss buying. Turnover: 15,225 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	337-.5	+5.5	337-8	+5.5
3 months	346.5-7.5	+5.5	347-.5	+5
S'ment	337.5	+5.5	—	......
U.S. Spot	—	......	*36-8	......

Morning: Cash £338, three months £348, 47, 46.5, 45, 46, 46.5, 47. Kerb: Three months £346.5, 46. Afternoon: Three months £346, 47. Kerb: Three months £347.5, 48, 49, 50, 41.

ZINC—Lower as heavy influential selling lowered forward metal from £428.5 to £408. This level brought out good support, however, and three months rallied strongly to close the late Kerb at £414. Turnover: 13,125 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	415.5-6.5	-2.75	409.5-10.5	-9
3 months	425.5-6	-2.75	419.5-20	-9.25
S'ment	416.5	-2.5	—	......
Primw'ts	—	......	*45.75	......

Morning: Cash £415, three months £426, 25.5. Kerb: Three months £425.5, 25. Afternoon: Three months £424, 23, 22, 21, 18, 16, 17, 18, 19, 20, 19.5. Kerb: Three months £420, 19, 17, 16, 14, 13, 12, 11, 10, 09, 10, 15.

ALUMINIUM — Little changed on balance. Forward metal dropped from £647 to £641 in the morning Rings following news of the stocks rise. The market then staged a good rally, owing to the decline in sterling, which left three months at £650 on the afternoon Kerb. Turnover: 8,075 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	622-3	-8.5	629.5-30.5	-1
3 months	649.5-50	-8	648.5-9	-1.5

Morning: Three months £642, 43, 42, 41, 42, 42.5, 42, 41.5. Kerb: Three months £643, 44. Afternoon: Three months £644, 44.5, 45, 46, 47. Kerb: Three months £650, 49, 48, 49, 50.

NICKEL—Gave ground on the stocks rise which saw forward material fall to £3,037.5. This level attracted good physical interest, however, and three months recovered to finish the late Kerb at £3,052.5. Turnover: 612 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	3015-20	-15	3015-20	-32.5
3 months	3045-8	-4.5	3049-51	-22.5

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

Morning: Cash £3,020, three months £3,035, 40, 45, 50, 45. Kerb: Three months £3,048, 50. Afternoon: Three months £3,050, 55, 51, 50, 51, 52, 51, 50. Kerb: Three months £3,050.

SILVER

Silver was fixed 3.35p an ounce lower for spot delivery in the London bullion market yesterday at 521.7p. U.S. equivalents of the fixing levels were: spot $10.945, up 4c; three-month $11.447, up 2.2c; six-month $11.928, up 0.2c; and 12-month $12.914, up 2.8c. The metal opened at 522-529p ($10.9-11.05) and closed at 521-528p ($10.90-11.05).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	521.70p	-3.35	521.5p	-5
3 months	536.70p	-3.35	536.75p	-5.75
6 months	554.60p	-2.56	—	......
12 months	592.10p	-0.50	—	......

LME—Turnover: 146 (118) lots of 10,000 ozs. Morning: Cash 521.5; three months 540, 39, 37.5, 37. Kerb: Three months 538, 39. Afternoon: Three months 538, 36, 37. Kerbs: three months 536, 37, 36, 35.

COCOA

Futures opened £10 lower and traded within a narrow range throughout a featureless day. Actuals business was scarce with both producers and consumers sidelined from current levels, while second-hand dealings were similarly quiet, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
May	887-889	-8.5	890-887
July	901-903	-7.5	904-898
Sept	923-924	-7.0	924-920
Dec	948-949	-7.5	950-945
March	969-971	-5.5	971-966
May	987-990	-5.0	989-987
July	1005-1010	-0.5	—

Sales: 1,186 (1,353) lots of 10 tonnes.

ICCO Futures—Daily price for May 15: 87.62 (87.29); five-day average 88.39 (89.25).

COFFEE

An active day saw values opening £20 lower in reaction to a limit-loss situation in New York. Prices declined further during the afternoon as long liquidation continued to trigger stop-loss orders. A chart breakthrough of recent support levels also encouraged dealer selling. Good turnover included approximately 1,700 cross trades, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
May	995-98	-35.0	1019-98
July	1004-05	-35.0	1020-00
Sept	1007-08	-39.0	1026-07
Nov	1001-03	-38.5	1025-02
Jan	986-95	-42.5	1018-85
March	980-90	-42.5	1000-80
May	980-1020	-27.5	1016

Sales: 6,478 (3,384) lost of 5 tonnes.

ICO Indicator prices for May 15: (U.S. cents per pound): Comp. Daily ICA 1976 116.09 (118.09): 20-day average 120.36 (120.55).

Business done—Wheat: May 115.00-13.90, July 117.05-116.00, Sept. 101.60 one trade, Nov. 105.45-105.35, Jan. 109.40-109.20, March no trades. Sales: 134 lots of 100 tonnes. Barley: May 101.70-101.10, Sept. 95.50 one trade, Nov. 99.20-99.15, Jan. and March no trade. Sales: 40 lots of 100 tonnes.

GAS OIL FUTURES

The market opened steadier and traded in a narrow range on low volume all morning. In the afternoon prices fell on a lower New York opening before rallying towards the close on a weakening dollar, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
June	278.50	—	279.00-78.00
July	281.00	+2.25	281.25-78.50
August	284.75	+0.75	285.50-83.50
September	290.25	+1.50	291.50-89.00
October	295.50	+2.25	295.50-94.25
November	300.00	+2.75	300.00-98.50
December	305.00	+2.50	305.00-05.00
January	311.00	+4.50	—
February	316.50	+4.00	—

Turnover: 489 (461) lots of 100 tonnes.

GRAINS

The market opened unchanged on wheat and barley. Old crop wheat saw values increased steadily due to aggressive buying interest from shipper and commercial quarters to close firm £1.40-1.45 up on the day. May barley saw steady buying interest and values increased in thin volume to close 85p higher. New crops saw little trade, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
May	115.00	+1.40	101.70	+0.85
July	117.05	+1.45	—	—
Sep	101.80	+0.30	95.50	+0.05
Nov	105.45	+0.15	99.25	+0.10
Jan	109.55	+0.15	102.80	+0.10
Mar	113.10	+0.15	106.20	+0.05

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent June 107, July 106.75, Aug. 106.50 transhipment East Coast sellers. U.S. Hard Winter 13½ per cent June 106.50, July 106, Aug. 107 transhipment East Coast seller. English Feed fob June 118.50 Bristol Channel seller. Maize: French second half May 125, June 125.50 transhipment West Coast sellers. S. African Yellow June/July 90 seller. Barley: English Feed fob May 107 seller East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: Eastern 115.00. Feed barley: Eastern 98.70, E. Mids. 100.20, Scotland 100.00. The UK Monetary Coefficient for the week beginning Monday May 25 (based on HGCA calculations using four days exchange rates) is expected to change to 0.880.

RUBBER

The London physical market opened about unchanged, with little interest throughout the day, closing quiet. Lewis and Peat reported a fob June price for No. 1 RSS in Kuala Lumpur of —— (266.75) cents a kg and SMR 58.75p (same).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
June	56.10-55.60	55.20-55.50	55.50
July	58.50-57.50	58.00-57.20	—
Jly-Sept	58.80-58.80	58.30-58.60	58.10-58.50
Oct-Dec	61.80-62.00	61.70-61.80	62.30-61.70
Jan-Mar	64.80-65.00	64.60-64.70	64.80
Apl-Jne	67.70-68.00	67.60-67.70	—
Jly-Sept	70.40-70.60	70.40-70.50	70.20
Oct-Dec	73.20-73.50	73.20-73.50	—
Jan-Mar	76.40-76.50	76.10-76.20	76.30-76.80

Sales: 123 (182) lots of 15 tonnes 14 (1) at 5 tonnes. Physical closing prices (buyers) were: Spot 53.75p (54.00p); June 58.25p (same); July 58.75p (same).

SOYABEAN MEAL

The market opened with losses of around £1, reports T. G. Roddick. Further rain in U.S. growing areas pressured prices which closed £1-£1.50 lower.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
June	128.00-28.4	-1.20	128.50-28.40
August	150.50-50.5	-1.50	151.20-50.40
October	152.80-52.9	-0.95	155.70-52.70
December	155.80-54.1	-1.25	—
February	155.40-55.8	-1.40	156.50-55.50
April	156.00-57.5	-1.50	—
June	156.00-58.0	-2.00	—

Sales: 109 (145) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £176.00 (£171.00) a tonne cif May-June-July shipments. White sugar daily price £200.00 (£192.00).

First trades were £2 below pre-weekend levels but the lows were shortlived as keen buying from one quarter absorbed selling interest at the lower levels. Gains in thin trading conditions met heavy resistance and final prices were £4.00 below the best, reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	177.00-77.25	177.50-78.00	182.00-76.00
Oct.	179.10-79.25	179.10-79.50	185.50-77.50
Jan.	180.50-80.75	180.00-80.45	182.75-82.00
March	185.40-85.50	185.50-85.75	187.25-85.00
May	184.75-85.00	184.50-85.00	188.00-81.00
Aug	186.00-87.00	185.50-86.00	—
Oct.	187.00-88.50	185.50-87.50	—

Sales: 5,563 (6,841) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £265.5 (£260.0) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for May 15: Daily price 14.53 (14.18); 15-day average 14.88 (15.07).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 113 tonnes. Modest weights changed hands, mostly in American type qualities. Interest ranged over numerous styles, with South American and Middle Eastern growths in chief request.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. May 356 buyer, nil; Aug. 370, 375, 371; Oct. 371, 374, 372; Dec. 376, 380, 378-377; Jan. 378, 381, 378; March 383, 387, 383; May 393, 395, 394-391; Aug. 400, 404, 401; Oct. 400, 404, nil. Sales: 36.

BRADFORD WOOL—Prices are little changed. Strength in sales has been weakened by further softening of sterling against the U.S. dollar, but there has been a little more business locally. The industry is reasonably confident in the outlook for prices, and even worried about stock shortages of Merinos but is finding that the essential support from further down the line is lacking.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. May 490.2, 491.0, 491.5-490.0; July 497.2, 498.0, 498.5-495.0; Oct. 492.0, 492.8, 493.0-491.5; Dec. 498.5, 499.5, 499.5-498.0; Mar. 506.0, 507.0, 507.0-504.5; May 515.0, 515.5, 515.0-514.0; July 519.5, 520.0, 520.0-519.0; Oct. 519.5, 520.0, 519.5-519.0. Sales: 159.

TEA AUCTION

LONDON TEA AUCTION — 38,088 packages were offered in yesterday's auction. Strong demand was seen. Assams showed little change. Sylhets tended dearer. Brighter Africans were 1-3p dearer. Mediums often substantially dearer. Ceylons were fully firm, with Brighter Medium BOPFs dearer. Quotations: Quality 123p per kilo (123p); Medium 103p per kilo (102p); Plain 77p per kilo (74p).

PRICE CHANGES

	May 18 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1295/1325	......	$1380/410
Copper			
Cash w'bar	£838.25	-2.25	£830.5
3 mths	£862.25	-1	£849.5
Cash Cathode	£830.5	-5	£823.25
3 mths	£850.25	-3	£837.75
Gold troy oz	$481.5	-3	$482.5
Lead Cash	£337.5	+5.5	£344.25
3 mths	£347.25	+5	£350.25
Nickel	£3,504.50	......	£3,379.50
Freemkt	290/305c	-5	290/305c
Platin'mtr'y oz	£230.0	......	£213.5
Freemkt	£221.45	-3.7	£217.75
Quicksilver†	$420/430	-5	$415/428
Silver troy oz	521.70p	-3.35	515.55p
3 mths	536.70p	-3.35	530.50p
Tin Cash	£6,110	-87.5	£6,082.5
3 mths	£6222.5	-55	£6,142.5
Tungsten 22.04lb	$147.51	......	$147.64
Wolfrm 22.04 lb	$142/146	......	$144/147.5
Zinc Cash	£410	-9	£379.25
3 mths	£419.75	-9.25	£390.25
Producers	$925	......	$875
Oils			
Coconut (Phil)	$557.5x	+2.5	$550
Groundnut	‡	......	‡
Linseed Crude	£435	......	£406
Palm Malayan	$570y	+10	$577.5
Seeds			
Copra Philip	$390v	......	$375
Soyabean (U.S.)	$390y	......	$316
Grains			
Barley Fut. Sep	£95.50	+0.05	‡
Maize	£125	......	£125.5
Wheat Fut. Sept	£101.80	+0.3	‡
No2 Hard Wint	£106.50z	+0.25	£106.5
Other commodities			
Cocoa ship't	£1,003	-7	£1,058
Future July	£902	-7.5	£997.5
Coffee F't July	£1004.5	-35	£1,069
Cotton A.Index	87.85c	......	88.15c
Gas oil July	$281.0	+2.25	$294.75
Rubber (kilo)	53.75p	-0.25	52.5p
Sugar (Raw)	£176	+5	£190
Woolt'ps 64s kl	337p kilo	......	325p kilo

‡ Unquoted. u May-June. v June-July. x June. y July. † Per 45-lb flask.

POTATOES

LONDON POTATO FUTURES—The market was easier and very quiet, with buyers very reserved, reports Coley and Harper. Closing prices: Nov. 59.00, −0.5, (high 59.10, low 59.00); Feb. 67.20, −0.1, (67.20); April 74.10, −0.2, (high 74.20, low 74.00). Turnover: 49 (100) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 77.2 to 80.9; Ulster hindquarters 93.0 to 96.0, forequarters 56.0 to 58.0; Eire hindquarters 91.0 to 97.0, forequarters 55.0 to 58.0. Veal: Dutch hinds and ends 128.0 to 134.0. Lamb: English small 88.7 to 93.7, medium 86.0 to 90.0. Imported frozen: New Zealand PL 70.0 to 71.0, PM 68.0 to 70.0. Pork: English, under 100 lb 48.0 to 52.0, 100-120 lb 46.0 to 50.0, 120-160 lb 44.0 to 49.0.

MEAT COMMISSION—Average fatstock prices at representative markets on May 18. GB—Cattle 94.00p per kg lw (+0.36). UK—Sheep 190.45p per kg est dcw (−3.62). GB—Pigs 74.49p per kg lw (−1.36).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 4.50, 56 4.30, 72 3.90, 88 3.70, 112 3.00; Californian: 88/138 4.50-4.80; Jaffa: Valencia Lates 50/189 4.30-4.85; Cyprus: Valencia Lates 80/120 3.20-3.50; Moroccan: Lates 56/113 3.30-5.00. Lemons—Spania: Trays 25/50 1.80-2.20; Boxes 50/100 5.20; Californian: 115/140 5.80-6.20; Italian: 100/120 4.50-4.80; Outspan: 80/100 5.00-5.40; Jaffa: cartons 60/90 4.80-5.20. Grapefruit—Outspan: 40 3.80, 48 4.50, 64 4.70, 72 4.50; Cyprus: 20-kg 40/64 3.80-4.80; Jaffa: 20-kg 36/75 3.85-4.65. Topaz—Jaffa: 22-lb 40/80 2.80-3.00. Apples—S. African: Granny Smith 6.80-7.20, Golden Delicious 7.50-7.80, Starking 6.80-7.20; Chilean: Granny Smith 6.80-7.20; Canadian: McIntosh Reds 3.20; U.S.: Red Delicious 8.50-10.00; French: Golden Delicious 40-lb 125/175 4.00-4.80; 20-lb 72 2.40, 84 2.00; Italian: 40-lb Romes 60/70 4.40-4.80; New Zealand: Cox's Orange Pippins 9.60 10.50, Captain Kidd 7.00, Spartans 7.00, Golden Delicious 6.80; Tasmanian: Jonathans 6.40, Golden Delicious 6.80. Pears—Belgian: Conference per pound 0.10-0.12; Italian: Passacrassana 0.12-0.14; S. African: Packhams 6.00-6.80, Beurre Bosc 5.20; Victorian: Packhams 40-lb 8.00-8.50; Tasmanian: Packhams 40-lb 6.80-7.40; New Zealand: Packhams 7.00-8.00. Apricots—Spanish: 11-lb 4.40-5.00. Cherries—U.S.: 18-lb, per pound 1.00-1.20; French: 11-lb, per pound 0.70. Grapes—S. African: 9-lb Barlinka 5.00; Chilean: Almeria 11-lb 7.80-8.00. Melons—Israeli: Carmel Yellow 6/10 4.00-5.00; Chilean: 15-lb 6/10 8.00; Puerto Rican: White 8/9 8.00. Water-Melons — Spanish: 5.50-6.00. Strawberries—U.S.: 12oz 1.20; Italian: 8oz 0.35. Peaches—Spanish: 54/59 4.00; Israeli: Carmel 27 2.70. Pineapples—Ivory Coast: Each 0.45-1.00; S. African: Shelford 5/8 2.80-3.20. Bananas—Colombian: Per pound 0.17-0.18. Avocados—Florida: 20/24 6.00.

English Produce: Potatoes—Per bag 2.50-3.40. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.15, Laxtons 0.08-0.12, Cox's 0.14-0.22. Cauliflowers—Per 12, Kent 2.80-3.50, Lincoln 2.00-2.50. Cabbages—Per bag 3.20, Spring 22-lb 3.00-3.20. Beetroots—Per bag 1.80-2.00. Lettuce—Per 12, round 1.20-1.40, Cos 10/12 1.50. Tomatoes—Per 12-lb D 4.50, E 4.20. Leeks—Per 10-lb 1.80-2.00. Rhubarb—Per pound, outdoor 0.04-0.06. Carrots—Per 28-lb 3.50. Radishes—Per pack of 12 x 8oz 1.20, bunches of 15 1.20. Onions—Per 55-lb 40/60 7.00, 60/80 7.50; Spring trays x 20 bunches 1.50. Celery—Per 15/24 5.50-6.00. Cucumbers—Per 10/20 1.60-2.00.

★

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.00-£4.50, codlings £1.80-£2.70. Large haddock £5.30, medium £3.70-£4.30, small £2.60-£3.20. Medium plaice £3.50-£5.50, best small £3.00-£4.00. Skinned dogfish (large) £10.00, (medium) £5.50. Lemon soles (large) £8.50, (medium) £7.50. Saithe £1.80-£2.40.

AMERICAN MARKETS

NEW YORK, May 18.

Precious metals and copper rallied sharply as interest rates came under pressure. The livestock complex rallied on lower marketings with many limit advances in the pork markets. Heating oil advanced modestly on indications that refiners may have to raise prices. Maize and wheat rallied slightly while soyabeans finished mixed on adverse weather over the weekend, reported by Heinold.

*Platignum—May 465.5 (455.5), June 471.0 (459.5), July 475.0-475.5, Oct. 495.5, Jan. 516.1, April 536.7.

Copper—May 80.70 (79.40), June 81.45 (80.25), July 82.60-82.70, Sept. 85.10-85.25, Dec. 89.20-89.25, Jan. 90.40, Mar. 92.60, May 94.95, July 97.20, Sept 99.45, Dec. 102.85, Jan. 103.95, Mar. 106.15.

Potatoes (round whites—Nov. 74.5-74.7 (72.5), Feb. 80.4-82.0 (79.5), Mar. 86.4-86.9, April 97.3-97.5. Sales: 456.

¶Silver—May 1102.0 (1095.0), June 1107.0 (1104.0), July 1125.0-1127.0, Sept. 116.0, Dec. 1210.0, Jan. 1226.3, Mar. 1259.0, May 1291.7, July 1324.4, Sept. 1357.1, Dec. 1406.6, Jan. 1423.0, Mar 1455.5. Handy and Harman bullion spot: 1080.00 (1096.00).

*Gold—May 482.3 (476.4), June 484.5-485.5 (479.5), July 491.8, Aug. 498.5-499.5, Oct. 511.0-511.2, Dec. 526.4, Feb. 540.2, April 554.0, June 567.8, Aug. 581.6, Oct. 595.4, Dec. 609.3, Feb. 623.3.

Sugar—No. 11: July 15.15-15.20 (14.94), Sept. 15.55 (15.35), Oct. 15.60-15.63, Jan. 15.80-15.85, Mar. 16.15-16.20, May 16.35-16.40, July 16.65-16.70, Sept. 16.80-16.90, Oct. 16.95. Sales: 6,700.

Tin—599.00-604.00 (591.00-605.00).

CHICAGO, May 18.

Lard—Chicago loose 19.25 (19.50).

Live Cattle—June 66.70-66.60 (66.70), Aug. 64.70-64.55 (64.40), Oct. 63.50-63.45, Dec. 65.00-64.90, Feb. 66.40, April 67.60-67.67, June 68.90.

Live Hogs—June 49.42-49.37 (47.95), July 51.15 (49.65), Aug. 51.60-51.60, Oct. 51.30, Dec. 53.40, Feb. 56.00-56.10, April 55.35, June 57.20-57.50, July 57.90.

‡‡Maize—May 344¼-344½ (341½), July 355¼-356 (353¼), Sept. 365¼-366, Dec. 372¼-372¾, Mar. 385½, May 392½-393.

Pork Bellies—May 44.45 (42.45), July 45.70-45.60 (43.77), Aug. 45.62-45.62, Feb. 63.37, Mar. 63.60, May 65.00, July 66.25, Aug. 66.05.

†Soyabeans—May 756 (743½), July 768½-767 (759¾), Aug. 769-768, Sept. 770½-771, Nov. 779-780, Jan. 795½-796, Mar 815, May 829½.

‖Soyabean Meal—May 220.0-220.5 (217.5), July 20.8-21.0 (219.2), Aug. 221.8-21.5, Sept. 222.5, Oct. 23.0, Dec. 26.0-226.5, Jan. 228.0, Mar. 233.0-234.0, May 236.0.

Soyabean Oil—May 23.07 (22.92), July 23.65-23.64 (23.56), Aug. 24.05-24.06, Sept. 24.45-24.40, Oct. 24.75-24.80, Dec. 25.40, Jan. 25.65, Mar. 26.00, May 26.50, July 26.70-26.85.

†Wheat—May 404½-404¾ (402½), July 419¾-418¾ (417½), Sept. 435¾-435, Dec. 460½-460¾, Mar. 482-482½, May 492½.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, May 18.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent June 205, July 206, Aug. 213. U.S. No. Two Red Winter May 20/June 20 168, June 168, July 170. U.S. No. Two Northern Spring 14 per cent May 207, June/July 205.75, Aug. 206, Sept. 207, Oct. 213, Nov. 216.

Maize—(U.S. $ per tonne): U.S. No. Three Corn Yellow afloat May/June 158.50, July 161, Aug. 164, Sept. 165, Oct./Dec. 168.75, Jan./March 178.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports May-June 304, July 305.50, Aug 307, Sept. 308, Oct.-Nov. 310, Dec. 316, Jan. 321.90, Feb. 327.50, March 331 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein U.S. afloat 261 traded, afloat 263, June 265, July 267.50, Aug. 269.50, July Sept. 269.50, Nov.-March 284. Brazil Pellets afloat May 275, June 279, July 280, June-Sept. 282 sellers.

PARIS, May 18.

Cocoa—(FFr per 100 kilos): May 985-1025, July 1055 asked, Sept. 1075-1095, Dec. 1095-1115, March 1135-1145, May 1150 bid. Sales at call: Nil.

Sugar—FFr per tonne): July 2160-2200, Aug. 2166-2172, Oct. 2125-2132, Nov. 2120-2140, Dec. 2129-2135, March 2180-2210, May 2190-2220, July 2195-2230. Sales: at call: 24.

INDICES

FINANCIAL TIMES

May 15	May 14	Month ago	Year ago
252.89	252.86	260.91	271.71

(Base: July 1, 1952=100).

MOODY'S

May 15	May 14	Month ago	Year ago
1078.4	1076.5	1112.2	1115.3

(December 31, 1931=100)

DOW JONES

Dow Jones	May 15	May 14	Month ago	Year ago
Spot	389.27	387.95	408.12	440.72
Fut'rs	395.70	396.71	418.13	442.51

(Average 1924-25-26=100)

REUTERS

May 18	May 15	M'nth ago	Year ago
1688.2	1685.8	—	1720.8

(Base: September 18, 1931=100)

Companies and Markets

LONDON STOCK EXCHANGE

Unilever's first-quarter results encourage equities
Gilts extend recovery despite U.S. Prime rate rises

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
May 1	May 14	May 15	May 26
May 18	May 28	May 29	June 8
June 1	June 11	June 12	June 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Another day free of company fund-raising proposals helped to impart firmness to London equities yesterday at the start of a new trading Account. Business for much of the morning was slow but the announcement shortly after midday of Unilever's good first-quarter results generated more interest and most leading shares improved.

Numerous minor features came to the fore following weekend Press comment and, with situation stocks also attracting revived attention, the equity sectors seemed set for a better session. An extension of Friday's recovery in Gilt-edged securities was another helpful influence, but enthusiasm suddenly faltered about an hour before the official close and many top-name issues had their gains pared.

Seven constituents of the FT Industrial Ordinary share index were quoted ex-dividend and the resulting deductions accounted for virtually the whole of an opening loss of 3.9 in this measure of the market's mood. The effects of Unilever's announcement on sentiment were recognised by the index turning better to post a net rise of 3.9 at 1.00 pm before it closed only 1.3 up on the day at 562.3.

Government stocks furthered Friday's improvement. The re-investment of interest payment proceeds together with publicity about the yields currently offered on longer-dated Gilts were contributory factors in a market encouraged by the latest U.S. money supply figures and yesterday's recovery in sterling. News of U.S. Prime rate increases to 20 per cent hardly caused a ripple and medium/longs closed near the day's best with fresh rises stretching to ¾. The shorts were again restrained by the presence of the tap stock and made only limited headway, but the Government Securities index put on 0.37 more, at 67.23, to take it 0.84, or 1.3 per cent, above its 1981 low of 66.39 which was recorded last Tuesday.

Interest in Traded options was fairly small with 1,097 deals done compared with Friday's 1,337.

Business Computers, which staged an impressive debut in the Unlisted Securities Market last week, came in for further support and touched 140p before closing 5 up at 138p compared with the placing price of 85p.

Hambros good

Hambros stood out in the banking sector, rising 40 to 725 on investment buying ahead of the results due next month: sentiment was helped by the recent strength in associated Hambro Life. Elsewhere, **Commercial Bank of Sydney** plummeted 55 to 350p, after 330p, on the surprise termination of merger discussions with **Australia and New Zealand Bank** which were announced only last Friday. **ANZ** hardened 4 to 237p. Worries about increased competition for customers deterred investment interest in the major clearers and prices drifted lower. **Lloyds** shed 6 to 340p as did **NatWest**, to 380p. Among Hire Purchases, **Lloyds and Scottish** put on 4 to 198p ahead of Thursday's interim results. Still reflecting the French Presidential election result, **Compagnie Bancaire** lost 1½ points to £22.

Buyers showed occasional interest in the Brewery sector. **Greenall Whitley** found support and put on 7 to 139p, while **Whitbread "A"** continued to attract buyers in front of today's preliminary figures and put on 5 more to 168p.

Quietly firm conditions prevailed in Buildings. Among the leaders, **Blue Circle** improved 6 to 476p and **Redland** 4 to 172p, while **Taylor Woodrow** advanced 12 to 595p. **Tarmac** hardened 4 to 400p xd and **BPB** a couple of pence to 252p. Elsewhere, **G. H. Downing**, in receipt of a 200p per share cash bid from Hanson Trust, added 7 more to 215p pending developments, while renewed speculative interest lifted **Phoenix Timber** 12 to 134p. Demand in thin markets left **Wiggins Construct** 4 up at 51p and **Walter Lawrence** 6 dearer at 138p. **John Mowlem** came in for support and firmed 5 to 176p xd with the new nil-paid shares rising 6 to 35p premium. **Thomas Warrington** put on 6¼ to 76p xd and **John Finlan** 3 to 141p, the latter following Press comment. **Howard Shuttering** became a good market and rose 5 to 40p.

Firmer at one stage, leading Chemicals drifted back on lack of follow-through support, **ICI** reverting to 302p, after 306p, and **Fisons** closing just 2 dearer at 175p, after 182p.

Lanca jump

Stores started the new Account on a firm note. Comment ahead of tomorrow's preliminary results helped **Marks and Spencer** put on 3 to 141p, after 143p, while **British Home** added 4 to 174p xd and **Gussies "A"** appreciated 5 to 487p. Elsewhere, **Lanca**, dealt under Special Rule, jumped 13 to 41p in response to Press comment. A dull market last week on the poor results, **Lee Cooper** rallied 10 to 177p, while improvements of 6 and 7 respectively were seen in **J. T. Parrish**, 110p, and **Dixons Photographic**, 187p. **Sumrie Clothes** continued firmly at 56p, up 4. **John Menzies**, on the other hand, fell 20 to 455p xd.

The prospect of defence spending cuts unsettled the Electrical leaders. **Racal**, a good market of late, reacted 9 to 383p, while **GEC**, down 2 at 663p, and **Plessey**, 4 lower at 286p, fluctuated nervously throughout the session. **Ferranti** fell 17 to 468p. Elsewhere, **Quest Automation**, still reflecting the increased interim dividend and profits, advanced 23 more to 213p. **Automated Security** moved up 10 to 370p, while revived buying left **Concord Rotaflex** 5 higher at 53p. **Berec**, in contrast, remained on offer after the preliminary results and gave up 3 further to 72p.

Engineers passed an uneventful session. **Press Tools** provided one of the few noteworthy movements, jumping 8 to 29p in response to favourable Press mention. **APV** improved 5 to 290p, while occasional buying lifted **Babcock** 3 more to 131p. Leading issues traded firmly before easing off by a penny or so in the late dealings. **GKN** closed 3 firmer at 174p, after 175p, while **Hawker** finished only a penny harder at 322 xd, after 326p xd.

British Sugar closed 3 dearer at 330p xd after 338p xd, in response to the formal defence document to the bid from S. and W. Berisford, up 7 at 128p. Elsewhere in the Food sector, **Cadbury Schweppes** were quoted at 82p ex all with the new nil-paid shares at 4p premium. **RHM**, half-yearly results due on Thursday, eased ½ to 52p. Elsewhere, **Clifford's Dairies A** put on 7 to 111p in response to Press comment, while demand in front of today's preliminary results left **Amos Hinton** 5 dearer at 114p.

Grand Metropolitan, still responding to the interim results, firmed 4 more to 203p, while investment support was forthcoming for **Ladbroke** which rose 10 to 330p. Renewed demand in a thin market lifted **Wheeler's Restaurants** 22 more to 425p.

Unilever below best

Unilever jumped to 590p, before closing a net 26 up at 572p in response to the better-than-expected first-quarter profits; the NV ended 1¼ up at £17¾ xd. Other miscellaneous industrial leaders moved higher in sympathy with **Boots** closing 6 dearer at 252p ahead of Thursday's annual figures. **Bowater** put on a similar amount to 250p xd as did **Beecham**, to 200p, while **Reckitt and Colman** advanced 9 to 252p xd. Elsewhere, **Charles Hill of Bristol** stood out with a leap of 48 to 90p on news of a bid approach and **Beatson Clark** advanced 10 more to 170p on renewed speculative buying fuelled by takeover rumours. Buying ahead of the results due next month helped **Associated Communications A** rise 6 further to 60p, and **British Aerospace** improved 5 to 223p on hopes for its new 146 aircraft. **F. Austin (Leyton)** added 2 to 15p, after 16p, following Press comment, while **BTR** put on 11 to 332p for a similar reason. News of a £4m computer contract helped **ICL** harden 2 to 40p, while **Gripperrods** rose 8 to 160p on revived speculative demand. **Alpine Holdings** gained 2 to 80p ahead of tomorrow's preliminary figures and **E. J. Riley** hardened the turn to 62p following the half-yearly results. **Polymark**, up 19 on Friday on news of the bid approach, touched 139p before encountering profit-taking and closing a net 5 off at 128p.

A few pence firmer awaiting the preliminary results, **Land Securities** slipped back to 422p on the announcement before late selling on disappointment with the asset revaluation left the close 10 down on balance at 412p. Elsewhere in the Property sector, **Mountleigh** advanced 13 the 128p on the sale of the company's loss-making textile interests to C. and J. Hirst for £400,000. **Trust Securities** attracted further support and rose 12 to 374p, while **Espley-Tyas** revived and added 4 to 88p. Press comment stimulated interest in **GRA Property** and **Southend Stadium**, the former improving 1¼ to 13¾p and the latter 6 to 26p.

Oils firm again

Oils made a firm showing, but tended to ease in the after-hours' trading and most quotations ended well below the day's best. **BP** finished 4 higher at 408p, after 412p, while **Shell**, awaiting Thursday's quarterly figures, closed 8 up at 412p, after 418p. **Berkeley** were prominent in the more speculative issues with a rise of 15 to 298p, but **Strata** fell 16 to 84p on lack of news from the Woodada drilling location.

Overseas Traders were featured by a jump of 20 to 70p in **Titaghur Jute** following Press comment. Elsewhere, **Harrisons and Crosfield** improved 38 to 975p.

Reflecting the company's interest in Quest Automation, **Gresham House Estate** became a good market and rose 18 to 275p. Elsewhere in Trusts, **Atlantic Assets** encountered further support and put on 6 more to 258p.

Among Shippings, **Gotaas-Larsen** rose 15 to 355p, following favourable Press mention.

Among Textiles, **J. Crowther**, at 27p, regained last Friday's fall of 2½ which followed the bigger annual loss.

A week-end Press report highlighting bid possibilities buoyed **Guthrie** which were initially supported up to a 1981 peak of £10 before reacting to close only ¼ harder on balance at £8⅞.

Platinums move ahead

South African Gold shares moved narrowly in quiet trading as the bullion price eased $3 to $481.50 an ounce. The 2.9 fall in the Gold Mines index to 366.6 mainly reflected five of the mines in the Anglo American group going "ex" the March dividends.

Platinums made good progress following recent strength in the free market platinum price. **Impala** advanced 20 to 400p, **Rustenburg** 14 to 256p and **Lydenburg** 12 to 160p. "**Johnnies**," the South African mining finance house which holds approximately 32 per cent of Rustenburg, rose a further ½ to a 1981 high of £33¼.

Other South African Financials gained ground with **Gold Fields of South Africa** outstanding and finally £1½ up at a year's high of £40. "**Amgold**" a point up at £43¾ and **Anglo American** 10 firmer at 710p.

London Financials were featured by **Gold Fields** as persistent investment demand in a market none too well supplied with stock lifted the price to 520p—equalling the 1981 high—prior to a close of 515p, a net gain of 15. **Charter** touched 247p before closing a penny up on balance at 244p while **Rio Tinto-Zinc** dipped 1½ to 528p ex-dividend.

Coppers generally moved ahead. **Roan Consolidated** added 6 to a 1981 high of 135p on consideration of the merger with Nchanga. Speculative buying lifted **Botswana RST** 4 to 35p.

Australians were mixed in subdued trading. The Rundle twins were well supported with **Central Pacific** 10 better at 115p and **Southern Pacific** 3 up at 47p. **Pancontinental** dipped 10 to a year's low of 455p while profit-taking after the recent coal discovery saw **Meekatharra** drop 20 to 380p.

FINANCIAL TIMES STOCK INDICES

	May 18	May 15	May 14	May 13	May 12	May 11	A year ago
Government Secs...	67.23	66.86	66.53	66.49	66.39	67.08	67.61
Fixed Interest...	68.75	69.14	69.05	69.13	69.19	69.58	68.08
Industrial Ord...	562.3	561.0	558.1	551.3	566.0	566.9	436.8
Gold Mines...	366.6	369.5	368.0	372.2	383.9	367.8	308.3
Ord. Div. Yield...	5.86	5.87	5.90	5.96	5.92	5.82	8.16
Earnings, Yld. ¾(full)	11.51	11.50	11.57	11.73	11.65	11.46	19.94
P/E Ratio (net) (*)...	10.90	10.91	10.85	10.68	10.75	10.94	6.09
Total bargains...	22,224	20,086	20,527	21,065	20,956	21,094	18,223
Equity turnover £m.	—	179.06	125.45	127.28	116.74	114.29	108.92
Equity bargains...	—	19,665	15,624	15,703	14,856	15,765	14,171

10 am 557.1. 11 am 558 2. Noon 561 8. 1 pm 564.9.
2 pm 564 9. 3 pm 563 3.
Latest Index 01-246 8026.
*Nil=10.03.

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/3)	66.39 (12/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int...	72.01 (20/3)	68.75 (18/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord...	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (28/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 18	May 14
—Daily		
Gilt Edged Bargains...	152.9	148.9
Equities Bargains...	127.4	101.2
Value...	381.9	253.6
5-day Avrge.		
Gilt Edged Bargains...	167.8	174.3
Equities Bargains...	105.8	99.7
Value...	267.9	248.0

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (107)

BRITISH FUNDS (1)
CORPORATION LOANS (1)
AMERICANS (2)
CANADIANS (2)
BANKS (2)
BEERS (7)
BUILDINGS (2)
CHEMICALS (3)
DRAPERY & STORES (5)
ELECTRICALS (4)
ENGINEERING (9)
FOODS (7)
HOTELS (3)
INDUSTRIALS (24)
INSURANCE (2)
LEISURE (2)
MOTORS (2)
NEWSPAPERS (1)
PROPERTY (3)
SHIPPING (1)
SHOES (2)
TEXTILES (2)
TRUSTS (14)
OIL & GAS (3)
OVERSEAS TRADERS (1)
RUBBERS (2)
MINES (6)

NEW LOWS (15)

CORPORATION LOANS (1)
L.C.C. 5½pc '85-87
AMERICANS (1)
Fluor Corp.
BANKS (1)
Cie. Bancaire
ELECTRICALS (1)
Forward Technology
INDUSTRIALS (2)
Arenson (A.) Pitney Bowes Ln.
INSURANCE (1)
Ennia UK 9pc Cnv.
TEXTILES (1)
Snia Viscosa
TRUSTS (1)
Suez Finance
OIL & GAS (3)
Cie. Fr. Petroles Strata Oil
Moonie Oil
MINES (3)
North West Mining York Resources
Pancontinental

RISES AND FALLS YESTERDAY

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds...	88	—	8
Corpns. Dom. and Foreign Bonds...	30	2	35
Industrials...	416	169	784
Financial & Props.	185	58	252
Oils...	34	15	36
Plantations...	5	2	16
Mines...	52	48	66
Others...	42	67	76
Totals...	852	361	1,273

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Bowater	250xd	+6	Guthrie	887	+12
British Aerospace	223	+5	Hambros Bank	725	+40
British Sugar	330xd	+3	Hill (Charles)	90	+48
Comm. Bank Sydney...	350	−55	Land Securities	412	−10
Consd. Gold Fields...	515	+15	Plessey	286	−4
GEC	663	−2	Unilever	572	+26

FRIDAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
Phoenix Timber	23	122	+12	Brit. Aerospace	17	218	−1
Bus. Computer	20	133	+19	Europn. Ferries	17	138	+2
Premier Consd.	20	79	+1	Fisons	17	173	—
Sovereign Oil..	20	360	+23	Grand Met. ...	17	199	+6
P. and O. Defd.	19	142	+1	Bowater	16	251	−1
Rothmans "B"	19	64	−1	Dunlop	16	81	+1
Beecham	17	194	+8	Berec	15	75	−5

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 11	May 22	Aug. 6	Aug. 17
May 26	June 5	Aug. 26	Sept. 7
June 8	June 19	Sept. 10	Sept. 21

For rate indications see end of Share Information Service

Stocks traded in for the call included KCA International, ICL, Birmid Qualcast, Bath and Portland, Law Land, AB Electronic, Sangers, Pict Petroleum, Fisons, British Aerospace, Lee Cooper, Turner and Newall, Premier Consolidated and Candecca. Debenhams were dealt in for the put, while double options were arranged in Grindlays and ICI.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., May 18, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. May 15 Index No.	Thurs. May 14 Index No.	Wed. May 13 Index No.	Tues. May 12 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	347.56	—	11.02	4.54	11.20	347.50	345.25	342.58	344.03	236.53
2	Building Materials (25)	309.82	+0.2	14.45	5.72	8.29	309.17	308.16	309.07	310.60	231.97
3	Contracting, Construction (28)	572.67	−0.4	15.90	4.92	7.43	574.93	572.06	570.45	572.51	351.86
4	Electricals (28)	1056.64	−0.6	8.26	2.49	15.04	1062.48	1058.62	1045.17	1045.14	621.64
5	Engineering Contractors (11)	497.94	+0.1	13.23	5.31	9.19	497.22	491.63	491.26	493.70	273.59
6	Mechanical Engineering (70)	217.04	+0.6	13.00	5.63	9.65	215.80	213.97	212.61	214.57	158.65
8	Metals and Metal Forming (13)	174.06	+0.4	9.06	7.02	14.39	173.40	171.36	168.44	169.14	162.27
9	Motors (21)	107.77	−0.5	7.27	7.10	23.03	108.31	107.08	105.53	106.92	103.82
10	Other Industrial Materials (18)	375.48	+0.9	10.69	5.32	11.22	372.04	367.60	365.61	367.98	0.00
21	CONSUMER GROUP (195)	285.51	+0.8	12.71	5.59	9.61	283.12	280.71	278.34	281.89	215.29
22	Brewers and Distillers (20)	309.67	+1.4	14.98	5.97	7.92	305.50	300.40	298.55	303.50	277.47
25	Food Manufacturing (21)	258.43	+0.7	14.69	6.23	8.21	256.68	256.02	252.49	253.55	189.03
26	Food Retailing (14)	528.83	+1.0	9.40	3.33	12.57	523.48	523.42	519.62	521.93	303.51
27	Health and Household Products (7)	313.64	+1.9	8.61	4.57	13.81	307.82	300.13	297.01	300.55	182.99
29	Leisure (22)	430.55	+1.0	11.77	5.22	10.09	426.45	423.95	423.57	424.36	290.36
32	Newspapers, Publishing (12)	515.79	+0.7	16.31	5.47	8.04	512.04	508.93	517.45	513.21	418.39
33	Packaging and Paper (14)	149.84	+0.6	17.82	7.69	6.59	148.89	148.90	147.52	148.69	127.06
34	Stores (44)	288.14	+1.3	9.97	4.44	13.32	284.43	283.98	280.16	285.52	212.35
35	Textiles (22)	159.14	−0.1	12.99	7.90	10.45	159.24	159.01	159.00	163.86	125.79
36	Tobaccos (3)	255.67	−2.8	20.60	9.71	5.66	262.91	255.16	255.53	260.56	200.67
39	Other Consumer (16)	304.27	+0.5	10.38	6.34	13.11	302.78	303.32	302.29	304.36	0.00
41	OTHER GROUPS (79)	236.12	+0.2	13.07	6.36	9.37	235.68	235.32	233.37	234.90	203.42
42	Chemicals (15)	299.75	+0.4	10.78	6.88	11.74	298.65	299.00	294.87	297.32	305.67
44	Office Equipment (6)	116.29	−0.2	15.85	7.20	7.44	116.49	117.28	115.88	116.36	108.37
45	Shipping and Transport (13)	577.01	−1.0	15.89	6.27	7.50	583.07	581.16	579.53	583.58	508.67
46	Miscellaneous (45)	300.74	+0.5	14.01	5.58	8.67	299.19	297.38	296.49	297.98	247.22
49	INDUSTRIAL GROUP (488)	300.09	+0.5	12.13	5.30	10.11	298.74	296.69	294.27	296.86	224.68
51	Oils (12)	857.45	+1.3	20.79	6.57	5.33	846.04	835.93	825.24	819.95	734.93
59	500 SHARE INDEX	344.46	+0.6	13.76	5.54	8.65	342.34	339.66	336.60	338.61	265.07
61	FINANCIAL GROUP (118)	253.51	−0.5	—	5.61	—	254.73	253.03	251.22	252.90	198.83
62	Banks (6)	252.23	−1.2	36.68	7.19	3.18	255.27	254.34	252.42	253.58	210.81
63	Discount Houses (10)	286.35	−1.2	—	7.87	—	289.89	289.89	290.70	290.70	246.40
64	Hire Purchase (4)	268.73	+1.8	8.37	4.62	16.52	264.08	263.93	262.79	264.16	196.11
65	Insurance (Life) (10)	254.64	+0.4	—	5.88	—	253.70	247.71	246.83	249.97	178.22
66	Insurance (Composite) (9)	160.83	−1.2	—	7.64	—	162.75	162.31	159.74	168.25	125.25
67	Insurance Brokers (8)	384.17	+0.6	11.45	6.00	12.02	381.76	377.56	371.24	373.19	298.41
68	Merchant Banks (13)	157.07	+1.0	—	5.09	—	155.58	154.47	153.98	155.77	105.40
69	Property (48)	489.16	−0.3	3.20	2.65	43.15	490.78	488.55	487.36	491.90	398.03
70	Miscellaneous (10)	171.05	−0.4	18.48	6.05	6.57	171.78	170.50	169.91	170.02	129.46
71	Investment Trusts (109)	306.58	+0.2	—	5.08	—	306.06	304.67	304.10	304.54	218.72
81	Mining Finance (3)	261.72	—	13.10	5.13	8.94	261.72	259.95	254.98	254.22	185.46
91	Overseas Traders (20)	488.51	+1.2	10.65	5.98	11.58	482.63	478.59	477.73	474.23	380.52
99	ALL-SHARE INDEX (750)	325.25	+0.4	—	5.52	—	323.97	321.57	318.88	320.56	249.37

FIXED INTEREST

	PRICE INDICES	Mon. May 18	Day's change %	Fri. May 15	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	107.79	+0.19	107.59	—	4.24
2	5-15 years	108.59	+0.64	107.90	—	4.11
3	Over 15 years	111.21	+0.67	110.47	—	4.93
4	Irredeemables	120.75	+0.64	119.98	—	6.23
5	All stocks	108.88	+0.51	108.32	—	4.40
6	Debentures & Loans	85.18	+0.33	85.73	0.84	4.59
7	Preference	66.02	−0.26	66.46	0.27	3.15

	AVERAGE GROSS REDEMPTION YIELDS		Mon. May 18	Fri. May 15	Year ago (approx.)
	British Government				
1	Low	5 years	11.99	12.05	12.30
2	Coupons	15 years	12.63	12.71	12.24
3		25 years	12.75	12.85	12.24
4	Medium	5 years	13.80	13.91	14.11
5	Coupons	15 years	14.30	14.41	13.91
6		25 years	13.94	14.03	13.72
7	High	5 years	13.80	13.94	14.18
8	Coupons	15 years	14.51	14.61	14.25
9		25 years	14.14	14.23	14.09
10	Irredeemables†		12.14	12.21	11.22
11	Debs & Loans	5 years	14.93	14.88	14.71
12		15 years	14.96	14.98	14.61
13		25 years	14.96	14.93	14.51
14	Preference†		14.97	14.87	15.81

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

						Stock		
82	Nil	24/4	22/5	118	100	Thermal Syndicate	110	—
30	Nil	—	—	9pm	7pm	Western Selection	8pm	—
A1¼	75c	—	—	95	64	Woodside	66	+2

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 191.5 91.6 ... 14.74
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Grueneburgweg 113, 6000 Frankfurt
Investa [DM32.32 33.95 −0.05 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. May 12 [$4.66 4.89 ... —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt

[illegible]

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. [152.9 163.0 +0.4 3.25
H.S. Fixed Int. Fd. [91.0 95.0 ... 12.50

[illegible]

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331
O.C. America Fd.† [US$2.71 2.88 ... 0.59

[illegible]

NOTES

[illegible]

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

مطابق للأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	32	Acmex 50c	40	......	Q2.5c	—	3.5
23	14	ACM 20c	20	+1	—	—	—
21	14	Argosy Gold NL 25c	17	......	—	—	—
212	137	Bond Corp.	174	+2	Q7½c	1.9	2.3
102	76	Bougainville I Kina	90	......	Q26.2c	1.8	15.8
302	214	CRA 50c	232	+2	Q19c	1.7	4.4
25	17½	Canada Northwest	18	......	—	—	—
35	17	Carr Boyd 20c	17	......	—	—	—
415	80	Central Pacific	115	+10	—	—	—
35	15	Cons. Gold Min. N.L. 50c	15	......	—	—	—
47	30	Coltus Pacific N.L.	31	+1	—	—	—
32	22	Eagle Corp. 10c	28	......	—	—	—
40	29	Endeavour 20c	30	......	—	—	—
500	310	G. M. Kalgoorlie 25c	405	......	†Q13c	ϕ	1.8
25	10	Great Eastern	14	......	—	—	—
275	180	Hampton Areas 10p	205	+5	t2.5	2.4	1.7
168	58	Haoma Gold N.L.	58	−2	—	—	—
85	42	Intl. Mining	43	......	—	—	—
245	140	Kitchener NL 25c	155	......	—	—	—
105	45	Leichardt Expln.	50	......	—	—	—
430	275	Meekatharra	380	−20	—	—	—
70	49	Metals Ex. 50c	55	−2	¶Q3c	2.9	2.7
38	20	Metramar Mns. 20cts.	33	−1	—	—	—
267	190	M.I.M. Hldgs. 50c	256	−3	‡Q7.6c	1.7	‡
21	10½	Minefields Expl. 25c.	11½	+1	—	—	—
115	83	Mount Lyell 25c	110	......	ϕ†Q15c	1.7	7.5
20	14	Newmetal 20c	14	......	—	—	—
69	41	Nickelore N.L.	59	−2	—	—	—
204	149	North B. Hill 50c.	176	......	Q18c	3.1	5.7
84	50	Nth. Kalgurli	62	+2	—	—	—
175	94	Nth. Mining Corp.	142	......	—	—	—
122	40	N. West Mining N.L.	40	−2	—	—	—
148	106	Oakbridge 50c	134	+4	tQ12c	1.1	4.9
185	138	Oilmin N. L.	140	−5	—	—	—
186	164	Pacific Copper	180	......	—	—	—
605	455	Pancont'l 25c	455	−10	—	—	—
70	42	Paringa M&Ex.5p	68	......	ϕ—	—	—
525	375	Peko-Wallsend 50c.	495	+5	ϕQ22½c	ϕ	2.5
43	27	Pelsart Res NL	35	−2	—	—	—
120	85	Seltrust A	100	......	—	—	—
157	34	Southern Pacific	47	+3	—	—	—
72	40	Swan Resources 20c.	40	......	—	—	—
18	9½	West Coast 25c	10	−½	—	—	—
300	227	Westn. Mining 50c.	268	......	Q14c	1.6	2.8
27	16½	Westmex	16½	......	—	—	—
76	46	Whim Creek 20c	50	+4	—	—	—
101	60	York Resources	60	−1	—	—	—

Tins

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
16	10	Amal Nigeria 1p	10½	......	‡6.0	—	—
300	250	Ayer Hitam $M1.	265	......	‡Q205c	1.0	‡
67	54	Beralt Tin	66	......	5.0	ϕ	10.8
155	125	Geevor	125	......	‡8.4	1.9	‡
10	8	Gold & Base 12½p	9½	......	—	—	—
660	555	Gopeng Cons.	555	......	‡30.0	1.8	‡
450	360	Hongkong	360	......	21.0	ϕ	8.3
125	115	Idris 10p	118	......	Z6.0	ϕ	7.3
15	13	Jantar 12½p	15	......	1.5	ϕ	14.3
98	85	Kamunting $M0.50.	85	......	‡Q80c	1.0	‡
800	545	Killinghall $M1	800	......	Q100c	ϕ	2.6
114	88	Malay Dredging 10c.	114#	......	ϕhQ38c	0.9	6.8
68	30	Pahang	68	......	0.63	0.8	1.3
103	90	Pengkalen 10p	90	......	3.5	0.6	5.6
380	340	Petaling $M1	340	......	Q180c	1.4	10.8
25	19	South Crofty 10p.	24#	......	‡1.0	4.4	‡
225	200	Sungei Besi $M1.	210	......	‡Q480c	1.1	‡
180	95	Supreme Corp. $M1.	170	......	gQ15½c	ϕ	1.9
118	116½	Tanjong 15p	118	......	Z1.5	ϕ	1.8
90	75	Tongkah H. Tin $Sn	75	......	Q23%	0.4	6.1
410	350	Tronoh $M1	365	......	‡Q250c	0.7	‡

Copper

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
335	165	Messina R0.50	320	......	†Q45c	4.7	8.3

Miscellaneous

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
175	142	Anglo-Dominion	165	......	—	—	—
55	40	Barymin	42	−3	—	—	—
25	14	Burma Mines 10p	25	+2½	0.75	0.9	4.3
315	180	Colby Res. Corp.	220	......	—	—	—
275	200	Cons. Murch. 10c.	275	+5	tQ30c	1.8	6.2
98	75	††Hemerdon 10c.	75	−5	—	—	—
180	135	Highwood Res.	160	+5	—	—	—
400	300	Northgate C$1	340	−5	—	—	—
580	372	R.T.Z.	528xd	−1½	16.0	3.2	4.3
£125	£93½	Do.9½%Cv.Un.Ln.'95-2000	£116xd	−1¼	Q9½%	—	f8.6
143	110	††SPO Minerals 10p	110	......	—	—	—
47	32	Sabina Inds. C$1.	33	−1	—	—	—
43	28	††SWCM 10p	43	+2	—	—	—
550	465	Tara Exptn. $1	500	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ✠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. x Prospective real rate of return. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	42xd	+1½
Bertam	14	......
Bdg'wtr. Est. 50p	450	......
Craig & Rose £1	£11¼	......
Fife Forge	63	......
Finlay Pkg. 5p	19	......
Graig Ship. £1	£18	......
Higsons Brew	73xd	+½
Holt (Jos) 25p	460	......
I.O.M. Stm. £1	157	......
Pearce (C. H.)	957	−3
Peel Hldgs.	100	......
Sheff. Refrsht.	181	......
Sindall (Wm.)	175	......

IRISH		
Conv. 9% '80/82	£92⅞	......
Nat. 9¾% 84/89	£74½	......
Fin. 13% 97/02	£79	......
Alliance Gas	82	+2
Arnott	250xd	+½
Carroll (P.J.)	95	+7
Concrete Prods.	98	......
Helton (Hldgs.)	38	......
Ins. Corp.	420	+25
Irish Ropes	53	......
Jacob	54	......
T.M.G.	23	−2
Unidare	100	......

OPTIONS

3-month Call Rates

Industrials	
A. Brew	6½
BOC Intl.	11
B.S.R.	4½
Babcock	11
Barclays Bank	36
Beecham	15
Blue Circle	35
Boots	20
Bowaters	24
Brit. Aerospace	14
B.A.T.	25
Brown (J.)	7
Burton Ord.	12
Cadburys	7½
Courtaulds	6
Debenhams	8
Distillers	17
Dunlop	7½
Eagle Star	22
F.N.F.C.	9½
Gen. Accident	36
Gen. Electric	60
Glaxo	28
Grand Met.	14
G.U.S. 'A'	44
Guardian	32
G.K.N.	16
Hawker Sidd	25
House of Fraser	14
I.C.I.	28
"Imps"	7
I.C.L.	6
Ladbroke	30
Legal & Gen.	28
Lex Service	10
Lloyds Bank	28
"Lofs"	4½
London Brick	7
Lucas Inds.	18
"Mams"	20
Mrks. & Spncr	9
Midland Bank	26
N.E.I.	7
Nat. West. Bank	32
P & O Dfd.	13
Plessey	30
Racal Elect.	34
R.H.M.	5
Rank Org. Ord.	18
Reed Intnl.	20
Sears	5
Tesco	5½
Thorn EMI	30
Trust Houses	18
Tube Invest.	18
Turner & Newall.	10
Unilever	50
Utd. Drapery	6½
Vickers	15
Woolworths	5

Property	
Brit. Land	8
Cap. Counties	11
Land Secs.	37
MEPC	28
Peachey	15
Samuel Props.	13
Town & City	2½

Oils	
Brit. Petroleum	36
Burmah Oil	16
Charterhall	9
KCA	22
Premier	10
Shell	34
Tricentrol	30
Ultramar	44

Mines	
Charter Cons.	21
Cons. Gold	45
Lonrho	9
Rio T. Zinc.	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

FINANCIAL TIMES
Tuesday May 19 1981

April shop spending rise

BY DAVID CHURCHILL AND DAVID MARSH

THE VOLUME of spending in the shops remained buoyant in April, according to provisional Government figures published yesterday.

But retailers say sales activity has slackened during the past few weeks, partly because of bad weather.

The Department of Trade reported that seasonally adjusted retail sales volume rose 0.9 per cent in April compared with March. This took the average volume of trade during the first four months this year to about 3 per cent above the average for 1980. The provisional index of sales volume in April was 112.5.

The strength of retail sales this year has been a principal factor behind the Government's optimism that the recession is bottoming out.

Much of the increase in sales at the beginning of the year reflected longer than usual New Year sales, during which retailers pruned profit margins to clear stocks.

There are signs that margins may now be improving.

Yesterday's figures show that the year-on-year increase in the value of retail sales jumped to 12 per cent in April from only 8 per cent in March, indicating that retailers pushed through significant price increases last month.

During the last few weeks however the poor weather has depressed High Street spending, according to retailers throughout the country yesterday.

Sales of gardening equipment and clothes have been especially hard hit. Retailers also believe the late Easter holidays and the closeness of other Bank Holidays have disrupted the trading pattern.

However, April and May are normally quiet months for retailers and it may be that stores had raised their hopes because of the relatively good first quarter trading.

RETAIL SALES

		Volume, seasonally adjusted 1976=100	Value, unadjusted % change compared with year earlier
1980	Q1	110.2	+21
	Q2	109.2	+12
	Q3	108.9	+14
	Q4	109.0	+10
1981	Q1	112.7	+10
	Feb.	112.9	+11
	Mar.	111.5	+ 8
	Apr.*	112.5	+12

Source: Department of Trade

* Provisional

Mr. Ian MacLaurin, managing director of Tesco, said yesterday that he was only "moderately happy" with general sales. He said the sales position looked more hopeful some six to eight weeks ago but was now only "average."

Mr. Tom McAuliffe, chairman of Argos discount stores group, said yesterday that the "outlook at present was worse than had been thought only a few months ago."

Although Argos's sales were 11 per cent higher in April than last year in value terms, figures for last week show only a 2 per cent gain, which implies a volume drop after taking account of price inflation.

Surprisingly, Argos finds that sales of its more expensive items such as jewellery are holding up well.

The John Lewis Partnership reports that sales in its department stores were up by 11.1 per cent in value for the week ending May 9. The company says: "Trading had a more subdued feel to it than was the case in the previous week, with a slow start and only a modest recovery by Saturday."

Basis for pact agreed by TUC and Labour

By John Lloyd, Labour Correspondent

LEADERS OF the Labour Party and the TUC have agreed the basis of a new national understanding, which is seen as vital to the party's election prospects and will form a large part of a future Labour Government's programme.

A draft outlining the new agreement "Towards a national understanding for economic and social progress," was broadly agreed yesterday at a meeting of the TUC-Labour Party liaison committee, attended by Mr. Michael Foot, the party leader.

It will be discussed, and some amendments made, by the party's national executive committee and the TUC general council over the next two months. It will be presented to TUC and party conferences in September and October.

The measures so far agreed in principle include:

● The creation of a new Price Commission to exercise effective controls on prices. The draft says "we would need to take powers to enable any price to be investigated, controlled or reduced—and for any company or sector to be subject to an investigation or efficiency audit, whether or not they propose to increase prices."

● A reduction in the value of the pound to allow exporters to compete more fairly in world markets.

● A limit on the growth of manufactured imports, which "could be achieved by fixing import penetration ceilings on an industry-by-industry basis."

● A huge injection of spending power into the economy.

● Greater use of Government stock and index-linked National Savings to finance higher public borrowing.

● The use of a range of measures—still being considered—such as planning agreements, an expanded National Enterprise Board and a National Investment Bank to ensure investment in key sectors.

● The undertaking of a National Economic Assessment of the prospects of economic growth.

● A strengthened Manpower Services Commission to expand training programmes.

A marked omission from the document is any specific reference to incomes policy. A carefully worded passage says that "to meet the challenge which will be posed by the operation of effective price controls, negotiators within both private and public enterprises, including nationalised industries, should focus on the need to secure the maximum efficiency in the use of resources and the containment of unit costs, and should have regard to the impact of settlements on prices and competitiveness."

THE LEX COLUMN

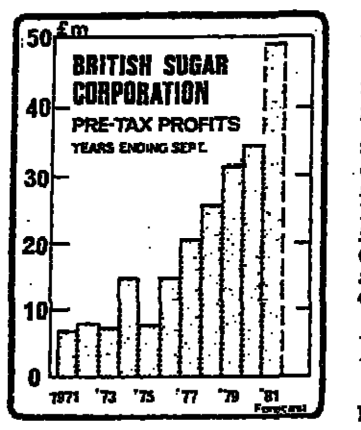
A week in hand for Unilever

Unilever delighted the stock market yesterday with a leap of 29 per cent in first quarter pre-tax profits from £124.7m to £161.1m, both figures being calculated at end-1980 exchange rates. The underlying reality is rather less exciting, since 1981 will be, for the purposes of Unilever's internal accounting, almost a 53-week year. The first quarter had 5 per cent more working days than the same 1980 period, although it did not carry a proportionately higher share of annual costs. Roughly half the increase in profits may be attributable to the extra days: without them, Unilever has maintained its margins on unchanged sales volume.

This is a strong performance, however, considering that profits from a number of activities — most notably chemicals and packaging — are well down on the levels of early 1980. Outside Europe and the U.S. business is growing rapidly, and within Europe both detergents and fats have shown a worthwhile increase in profits. I ndetergents Unilever seems to be motoring on a higher market share, and in edible fats margins have widened thanks to lower raw material prices and the uncompetitive stance of the butter industry.

It does not look at this early stage as though Unilever is in for an exciting 1981, but it has invested heavily to trim the cost base over the last few years and even without much volume increase profits could be up 10 per cent from last year's £572m: who knows, the company might even hold its dividend this year. If it does, the yield on the limited shares—up 26p to 572p yesterday—is 5¼ per cent, and the p/e ratio on fully-taxed earnings a modest seven times.

Index rose 1.3 to 562.3



Land Securities

The intial reaction in the market to the 44 per cent jump in Land Securities' pre-tax profits—to £54.9m—was to push the share price ahead. But the 40 per cent increase thrown up by the biennial property valuation was less than had been generally expected, and the shares ended the day 10p lower at 412p, against the sector trend.

The interim valuation a year ago pushed up the value of a representative sample of the properties by about 25 per cent. With net additions to the portfolio of £35m or so, this implies that the rise in Land Secs' property values in the year to March has been about 9 per cent. The market had been expecting more, following the big revaluations from Land Law and Berkeley Hambro, but both these had December year-ends and included the buoyant first quarter of 1980. Given the portfolio's concentration on offices, which have continued to perform less well than retail and industrial property, the revaluation may not be excessively conservative.

While this may not be the best news for the property sector, the Land Secs share price looks secure enough, even though the historic yield is below 3 per cent. Stripping out the benefit from the rights issue cash—worth about £8m—pre-tax profits have risen bv nearly a quarter, and the company should be able to maintain growth at close to this rate for some years based solely on the programme of rent reviews and reversions.

British Sugar

The forecasts issued by British Sugar Corporation in rejecting S. and W. Berisford's bid are nicely pitched above market expectations — pre-tax profits in the year to September will rise 43 per cent to £49m, and the dividend will be increased by a similar proportion. The familiar objections to the bidder's strategy are then rehearsed, and scant regard is paid to Berisford's business of sugar merchanting, which this whole affair has shown to be so important to Berisford (more perhaps for the market intelligence that it throws up than for the profits it earns). The merchant, says BSC, "simply provides a paper handling function."

In 1981-82 BSC can look forward to further benefits from its capital spending programme; beyond that, since sales volume is constrained by the EEC quotas, it will do well to match inflation. Still, it will be a highly valuable cash-generating business, and Berisford can in theory pay a very high price—in cash or shares—without having to worry about dilution. The BSC shares now look solidly underpinned by a 9.5 per cent yield at 330p, 16 per cent above Berisford's cash bid, and Berisford might have to go to £4 a share to be in with a good chance. That would value BSC at £240m, while Berisford's current capitalisation is £200m.

Bank charges

Now that opposition from the bank trade union BIFU to the clearing bank pay deal has collapsed, the clearers are getting on with the job of putting up their personal banking tariffs. The 50p charge announced yesterday by Barclays on cheques cashed by other banks' customers will not necessarily be followed by the rest of the clearers, but the 30p bank giro charge and the increased personal account tariff follow a general pattern. The fall in interest rates (down some 5 points over the past year) has made is necessary for the clearing banks to increase their commission revenue to offset the fall in the endowment effect of interest rates. But with base rates looking steady at 12 per cent, the banks can take some comfort from the thought that money has not become as cheap as at one time seemed likely.

Besides immediately increasing their charges, the banks must be looking ahead and planning a more fundamental restructuring of their revenue generation. The red light was shown here, of course, by the windfall levy imposed in the Budget, so that the clearers can never again dare rely on big endowment profits earned from interest-free current accounts in periods of high interest rates. The next step could well be the launching of interest-bearing chequing accounts (or perhaps integrated current and deposit accounts).

Such moves are unlikely, however, unless interest rates start to rise agin. Then the clearers might appear to be in a position to give something away to their depositors. Otherwise, the higher charges will be needed to cover the clearers' heavy costs. And any actual further falls in money rates would no doubt force another scramble for revenue.

Dounreay develops N-fuel technique

By David Fishlock, Science Editor

THE FIRST cargo of plutonium produced from fast reactor fuel is about to be shipped from the UK Atomic Energy Authority's Dounreay research centre in the north of Scotland to Barrow, en route for the Windscale, Cumbria, factory of British Nuclear Fuels.

The plutonium, in the form of a highly purified apple-green solution of plutonium nitrate, will be the feedstock for the manufacture of fresh fuel for the Dounreay fast reactor.

The cargo is the end-product of a highly successful technical effort to reprocess commercial-grade fast reactor fuel.

No other nation—not even France with its indisputable lead in fast reactor technology—has gone so far as Britain in attempting to close the fuel cycle for the fast reactor.

So far the UK AEA has reprocessed about 1.5 tonnes of fuel from the fast reactor and extracted an estimated 150-200 kilograms of plutonium in the form of an acid solution of plutonium nitrate.

This liquor is being shipped in 250-litre flasks by sea to Barrow then by rail to Windscale.

The Government's nuclear inspectors have approved the procedures and route worked out for its shipment.

They called for specific tests on the rate of decomposition of the feedstock due to its radioactivity. They are satisfied with the results.

The tests showed the radiolytic breakdown was slower than the UK AEA had estimated. This means there is less risk of a build-up of pressure in the transport flasks should there be a delay during shipment.

UK AEA executives are delighted at the success of their new reprocessing plant at Dounreay. The economics of the fast reactor depend greatly on maximising the time its plutonium fuel spends in the reactor itself, and minimising the time spent in reprocessing and refabrication into fuel.

Evidence from the first reprocessing operation suggests that the process may be simpler than was expected. The new laser techniques have been particularly successful. These were used for the first time at Dounreay to cut stainless steel cladding from the highly radioactive fuel. Little plutonium remains with the residue of steel.

At Dounreay the hope is that the first shipment of plutonium will be returned as fresh fuel for reloading in the Dounreay reactor within a year.

Details of the British fast reactor reprocessing technology, and also of the French technology, are to be presented at a conference of the British Nuclear Energy Society in London this autumn.

Lombard, Page 12

Barclays introduces cheque charges for non-customers

BY JOHN MAKINSON

BARCLAYS BANK is to introduce charges on cheques cashed at its branches by customers of other banks.

From September 1, it will cost customers of other banks 50p to cash a personal cheque at Barclays. The move was widely expected and, although other banks have not yet revealed their own plans, they seem certain to follow Barclays.

From the same date, Barclays will introduce a 30p charge to non-customers who settle consumer debts through the bank giro system. It will raise from 13p to 17½p the charge for any debit by a customer who has a current account balance of under £50.

The higher charge for Barclays' own customers follows a similar move by Midland earlier this month and has been interpreted as a way for the bank to boost its flagging profit margins.

The Barclays decision to introduce a 50p charge was sharply criticised by National Westminster yesterday. It said the step was unwelcome at a time when the banking industry was trying ot draw more people into its branches. Nat West will reciprocate.

Barclays said the 50p charge only just covered the cost of clearing a cheque. It said it cashed 24m cheques a year for other banks, while they handled only 12m a year for Barclays.

The clearing banks did, however, agree on one matter yesterday. They announced that from June 1 they would drop the standard set of charges on work done for customers of other banks in favour of a series of bilateral agreements. These charges, known as the "agency tariff" had been considered as a restrictive practice by the Office of Fair Trading.

The OFT said yesterday, that its ruling had no direct bearing on the new 50p charge introduced by Barclays.

'£49m profit' for British Sugar

BY REG VAUGHAN

A 43 per cent jump in both profits and dividend for the current year is being forecast by the British Sugar Corporation as part of its main defence against the £171m bid launched by S. and W. Berisford, the commodity trading group with large sugar merchanting interests.

British Sugar expects to increase profits, before tax, from £34.2m to about £49m for the year ending next September. The final dividend will be not less than 14.5p per share, lifting the total payment from 15.4p to 22p per share.

Mr. Gordon Percival, Berisford's finance director, yesterday dismissed BSC's forecast as a classic defence forecast. He said that BSC had "thrown everything into the window" to reach that figure.

Sir Gerald Thorley, BSC chairman, says in the rejection document that Berisford could offer nothing to BSC. The merger would "be detrimental to British Sugar and probably also to Berisford."

He claims Berisford was seeking a "strong and stable British Sugar to insulate it from the increasing risks associated with commodity trading."

There was no commercial logic to the bid, and the two companies were so "completely mismatched that a merger might well create an industrial muddle which could take years to untangle."

Berisford launched its revised bid for BSC last month following an all-clear from the Monopolies and Mergers Commission in March.

BSC shares gained 3p to 330p on the London Stock Exchange yesterday after rising to 338p on the initial response to the defence document. This compares with a cash offer per share from Berisford of 285p. Berisford closed 7p higher at 128p.

Mowlem shares U.S. Navy deal

BY PAUL CHEESERIGHT

A CONSORTIUM of John Mowlem, Raymond International and Brown and Root of the U.S. has won the primary contract to build an American Navy base at the remote Indian Ocean atoll of Diego Garcia.

Work costing $100m (£48m) has been authorised by Congress for the 1981 fiscal year, and a further $150m is being sought by the Reagan Administration for 1982. The work will take between three and five years.

The development of a naval base, which has been criticised by Mrs. Indira Gandhi, the Indian Prime Minister, is part of a plan to enable more rapid deployment of forces in and around the Gulf.

Diego Garcia, about 1,800 km south of Colombo and 4,200 km east of Dar es Salaam, is a British possession leased to the U.S.

The terms of the lease specified that British construction companies should share in development work. This includes cargo and passenger terminals, expansion of deep water wharves, aircraft runway extensions, telephone, power and water installations.

British companies were advised last December of the possibility of contracts. Originally 15 consortia applied and a shortlist of eight was drawn up by the U.S. Navy. These groups visited Diego Garcia in March and final submissions were made last month.

The contract specifies that Mowlem-Raymond-Brown and Root will be reimbursed for their costs and receive a fee related to costs and performance.

Mowlem has had links with Raymond for 20 years, while Raymond and Brown and Root have a long-standing joint venture company for military contracts.

Among the British companies involved in consortia shortlisted for the contract were Balfour Beatty, Costain, Robert McAlpine and Taylor Woodrow.

Details, Page 20

Defence cuts Continued from Page 1

cuts on the scale at present envisaged.

Michael Donne, Defence Correspondent, writes: Heavy contractual commitments already undertaken severely limit the scope for defence cost-cutting. These account in any one year for about 90 per cent of the total budget.

These commitments cover inescapable charges, such as pay, food, transport, clothing, heating, lighting, transport and accommodation. They include the long-term production contracts already made for equipment, which cannot be reduced or cancelled without incurring severe financial penalties in compensation.

As a result, it is estimated that, while the forces remain at present levels, only about 10 per cent of the total annual defence budget of £12.27bn is manoeuvring room—that is, offering scope for direct cuts.

Some cuts can be achieved by freezing pay, limiting transport and flying, and economising on heating and lighting, but such savings are marginal, although useful.

There are three potential main areas for big savings:

● Postponing, or abandoning, planned orders for new equipment such as ships, aircraft, tanks or guns.

● Reducing the size of the forces thus saving all round on pay, food, clothing, transport, accommodation and most significantly equipment.

● Substantially reducing commitments, which helps to ease the strain on the first two items.

All these options contain big risks. Collectively they mean that the forces become smaller, working with out-dated equipment, so that they cannot fulfil their allotted tasks adequately or efficiently. Thus the UK's overall contribution to the Nato alliance itself is weakened.

Bridget Bloom adds: Britain is under treaty obligation to keep four divisions in West Germany and would have to seek the approval not only of Bonn but of the governments of France, the Netherlands, Belgium and Italy if it wanted to decrease those strengths.

The Foreign Office and the Ministry of Defence said last night that since no decisions had been taken to reduce the 55,000 strong army of the Rhine, the question of consultations with Nato partners had not yet arisen.

But neither ministry is in any doubt that Britain's co-signatories to the 1954 Brussels treaty would be hostile to the removal of substantial numbers of troops on a permanent basis.

Britain is the only member of Nato contractually bound to maintain troops on the Continent, although President Eisenhower matched Britain's guarantee in 1954 with a declaration that U.S. troops—now around 200,000—would remain for as long as needed. British and U.S. soldiers serve in West Germany alongside nearly 300,000 German troops and 80,000 from Belgium, the Netherlands and Canada.

The last time Britain reduced its troops in Germany was in 1958, following the major defence cuts of 1957. About 10,000 men were pulled out to reduce the forces to their present stated strength of 55,000—a notional figure, for at any one time several thousand soldiers are likely to be serving in Northern Ireland.

Continued from Page 1

Prime rate

Three-month certificates of deposits, an important source of funds, were trading last week at an average of 19 per cent, pointing to a prime of at least 20 per cent. The same CDs were trading yesterday at around 18.5 per cent.

Moreover, Wall Street this week will be watching closely developments in Washington on President Reagan's proposed package of three-year tax cuts. There are increasing signs that he may compromise on his tax programme. This would encourage the markets, which are concerned about the possible inflationary implications.

Mr. Beryl Sprinkel, Treasury under secretary for monetary affairs, said yesterday that he believed the Fed would begin to gain control of the money supply soon and that interest rates could begin to come down in "a few days to a few weeks."

Weather

UK TODAY

RATHER cloudy in most parts with outbreaks of rain.

London, S. and E. England, Midlands, Wales, Channel Isles
Cloudy. Occasional rain becoming showery. Brighter intervals developing. Wind southerly fresh or strong, perhaps gale force. Max. 17C (63F).

N. England, Lake District, Isle of Man, Scotland
Cloudy. Rain, locally heavy. Wind southerly strong to gale force. Max. 16C (61F).

Orkney, Shetland
Rain, becoming showery. Bright intervals. Rain later. Wind south easterly fresh to strong. Max. 13C (55F).

Outlook: Unsettled.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	20	68	Locarno	C	15	59
Algiers	S	24	75	London	C	14	57
Amsdm.	F	18	64	L. Ang.†	F	16	61
Athens	S	23	73	Luxmbg.	S	17	63
Bahrain	S	30	86	Luxor	S	40	104
Barcina.	S	19	66	Madrid	S	22	72
Beirut	S	23	73	Majorca	S	20	68
Belfast	C	13	55	Malaga	S	20	68
Belgrd.	T	19	66	Malta	S	24	75
Berlin	T	18	64	Mchstr.	R	11	52
Biarritz	S	25	77	Melbne.	C	12	54
Bmghm.	C	11	52	Miami†	F	26	79
Blackp'l	R	11	52	Milan	F	21	70
Bordx.	S	25	77	Montrl.†	F	4	39
Boulgn.	C	17	63	Moscow	C	16	61
Bristol	R	11	52	Munich	S	18	64
Brussels	S	16	61	Nairobi	F	23	73
Budpst.	F	18	64	Naples	F	22	72
Cairo	S	28	82	Nwcstl.	C	13	55
Cardiff	C	11	52	N. York†	F	11	52
Casbca.	S	19	66	Nice	S	18	64
Cape T.	S	19	66	Nicosia	S	23	73
Chicg.†	F	9	48	Oporto	C	18	64
Cologne	F	19	66	Oslo	F	22	72
Cpnhgn.	R	11	52	Paris	S	21	70
Corfu	S	24	75	Perth	S	21	70
Denver†	C	6	43	Prague	F	18	64
Dublin	R	10	50	Rykjvk.	C	9	48
Dbrvnk.	S	21	70	Rhodes	S	22	72
Ednbgh.	F	17	63	Rome	S	21	70
Faro	S	19	66	Salzbrg.	S	20	68
Florence	S	23	73	S'clsco†	C	13	55
Frankft.	S	18	64	Singapr.	T	27	81
Funchal	S	20	68	Stckhm.	S	21	70
Geneva	S	18	64	Strasbg.	S	21	70
Gibrtr.	F	18	64	Sydney	C	13	55
Glasg'w	C	15	59	Tangier	S	21	70
G'rnsey	R	11	52	Tel Aviv	S	22	72
Helsinki	S	20	68	Tenerife	F	22	72
H. Kong	S	29	84	Tokyo	S	21	70
Innsbrk.	S	20	68	Tor'nto†	F	5	41
Invrns.	F	15	59	Tunis	S	27	81
Istanbul	S	20	68	Valencia	S	23	73
Jersey	R	14	57	Venice	S	21	70
Jo'burg	C	14	57	Vienna	F	19	66
L. Plms.	S	21	70	Warsaw	F	19	66
Lisbon	F	19	66	Zurich	S	19	66

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

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